

COMMITTEE ON FINANCE

May 8, 2006

6:00 PM

Vice-Chairman Gatsas called the meeting to order.

Vice-Chairman Gatsas called for the Pledge of Allegiance, this function being led by Alderman Roy.

A moment of silent prayer was observed.

The Clerk called the roll. There were twelve Aldermen present.

Present: Aldermen Roy, Gatsas, Long, Duval, Osborne, Pinard, Lopez, Shea, DeVries, Smith, Thibault and Forest

Absent: Aldermen O'Neil and Garrity

Messrs.: David Cornell, Tom Nichols, Stephan Hamilton, Jim Hoben, Denise Boutilier, Kevin Clougherty, Randy Sherman, Virginia Lamberton

Vice-Chairman Gatsas advises that the purpose of the meeting shall be continuing discussions relating to the proposed FY2007 municipal budget and we'll just change a little bit of the order and apologize but there are some people that had some commitments and have the Assessors go first followed by Traffic and then Finance.

Board of Assessors

Mr. David Cornell, Chairman of the Board of Assessors, stated today we will be presenting information on the exemption analysis giving an update of exactly where we're at with our 2006 projected tax base. Historically the Mayor and Board of Aldermen have adjusted the exemption amounts during reval years. Our goal in this process is to provide the Mayor and the Aldermen with as much factual information so they can make an informed decision on this very important topic. Certainly we feel our role in this process is advisory in nature and some of the figures that we've provided to you aren't necessarily our recommendations but they're the figures that need to be adjusted to if the goal of the Aldermen is to keep the same proportional benefit before the reval and after the reval. Certainly, it's at the sole discretion of the Aldermen exactly where to move those amounts to.

We'll start with the Elderly Exemption...we looked at this historically from tax year 2000 and forward. As you'll notice there the total figures haven't changed dramatically but one trend that you will see is the 80+...that segment is the population is getting older has been increasing year-after-year. The impact of that certainly...we do have a tiered system so the over 80 as far as the amount off on your exemption is at a higher amount than the other two exemptions. Second, is the Blind Exemption...fluctuates slightly from year-to-year but overall it's been staying fairly consistent. The Disability Exemption...Manchester started it back in 2001 and that has been increasing fairly consistently year-after-year as more people learn about the program and get on the Disability Exemption. How does Manchester compare to the rest of the state...what we did was we broke...

Vice-Chairman Gatsas interjected how about if we skip that one and go to the next one because I think that's more relevant than trying to compare it to the 10 largest because you're not comparing it to the three largest you're taking some communities in there that aren't even close to where Manchester or Nashua or Concord or Portsmouth and that's bringing your average down so let's truly look at where we're most comparable.

Mr. Cornell stated right. So, Manchester is in the first row followed by Nashua a very similar sized community to Manchester...Salem, Concord and Portsmouth. Certainly these communities are much more comparable when we look at it than if we look at the State as an average. One thing you will notice is both Salem and Concord they do not participate in the Disability Exemption but when we were at the Committee on Finance they wanted a further breakdown...Alderman Lopez requested these particular communities so this gives a view of how Manchester compares to these specific communities. This gives the tax base history from 1990 going forward in yellow it's the year of a reval and in blue is the year after reval. Two things you'll notice historically after a reval...tax base wise it is tough because all of the abatements that come through of trying to maintain the tax base. In 1992, that was certainly one of the worst real estate corrections in the history but we did lose almost 3.5% on the tax base. In 2002, we had to actually...it was one of the hottest real estate markets but when we factored in all the abatements we almost lost a half a percent off the tax base. Additionally, if you look at the 2001 net tax increase in the tax base it was a little under a 35% increase...we're projecting about an 82% increase for this reval and that does make...when trying to project forward it does add a level of complexity because we are changing the values so much this time. To date, we feel that we're right on track...these are original projections that we presented to the Board. Nothing to this point would indicate that we're still right on track so the 9.7 would still be a good figure to use. One thing we do want to highlight though in the exemptions and how this is so important...if you look at the 2006 values, if you look at the Blind, the Elderly and

the Disabled that calculates to almost \$265 million...that's a reduction in the net tax base. The figures provided here assumes that the Aldermen will increase the exemption amounts proportionately so we're receiving the same bang for the buck as last year as they will for this year. If that's slightly less these figures, the net tax base will be a little bit higher, if the Aldermen are slightly more generous the net valuation will be a little bit lower. So, that's just something you want to keep in mind in determining where to set the exemption amounts. On the handout that we gave you in back of the powerpoint. This is where the exemption amounts would go to assuming the goal is to keep the same proportional benefits the same. So, you'll see that in the last pages...it's stamped draft...and so essentially the figures here in the bold will give the same bang for the buck as those taxpayers are currently receiving.

Vice-Chairman Gatsas asked if we change the exemption to 80+ years old...if that exemption was changed so that the income assets or the income asset cuts were removed...anybody 80 years old no matter what their income was...what do you think that would change the calculation.

Mr. Cornell stated we couldn't just do it for the 80-year-olds we'd have to do it for all three classes.

Vice-Chairman Gatsas stated no you can do it for just the 80-year-olds.

Mr. Cornell stated we could check on that. As far as the number...

Vice-Chairman Gatsas stated I think you can change it because I think I was the one that sponsored the legislation to allow whatever you wanted to do within each category because we had that freeze three years ago. There was a piece of legislation that allowed you to move within each category on its own by amount.

Mr. Cornell stated we wouldn't be able to determine the exact amount but certainly we would have an increase in that category because certainly now there are people coming in that are over 80 but they don't qualify either due to their income or their assets.

Alderman Lopez stated the stated changed the law...you people have been working with it...it's kind of disturbing that you don't know that the law has been changed, I'm surprised at that.

Mr. Cornell stated certainly we can research that. Apparently, we can have different categories but the Aldermen set the guidelines and we've been going off the guidelines that the Aldermen have set. So, for the over 80 whatever the income and asset limits that the Aldermen have set.

Alderman Lopez stated I realize what you're saying but because we can do it in just one category and you said no.

Mr. Cornell stated certainly we're mistaken, we've never had that before...if that's what we can do we can certainly do it.

Vice-Chairman Gatsas asked can you get us some sort of calculation of what that...she's going to pull up the RSA.

Alderman DeVries stated for the Manchester comparisons with the other four largest...can you tell me if you're aware of whether Nashua, Salem, Concord or Portsmouth have undergone a recent revaluation.

Mr. Cornell replied I know Nashua has gone through a recent revaluation... Portsmouth has, Concord I believe it was in the last two years and Salem I believe it's been a while but I'm not sure of the exact date.

Alderman DeVries stated that might explain some of the disparities on that particular slide with the revaluation's being more current.

Mr. Cornell replied yes.

Alderman Lopez stated in the \$75,000 category to allow...including the value of your home I noticed a different between a single person and a married couple is that for a reason.

Mr. Cornell asked are you referring to the last two pages?

Alderman Lopez replied yes. Are you going to explain that...I can wait if you're going to go through it.

Mr. Cornell stated we're on the first page of the draft...total allowed exemptions is \$75,000...currently, that is for both single and married taxpayers...the same asset limit of \$75,000...that's at the sole discretion of the Aldermen if they want to change that or make two separate amounts for single and married...the Aldermen do have the discretion to change those amounts.

Alderman Lopez stated we have that option huh. On total net income could you tell me and for the public how you came to the \$30,000 for single person and \$42,000 for married.

Mr. Cornell stated currently the figures is \$27,500...the last time that was adjusted was back in 2003. We looked at the CPI for Boston and New Hampshire and there was an increase of about 9.1%. So, basically we increased that figure by the rate of inflation to come up with the \$30,000.

Alderman Lopez stated this is for 2006 correct.

Mr. Cornell replied that's correct.

Alderman Lopez asked can you tell me why if we didn't go through this process why we would not include five years instead of three years for cost of inflation?

Mr. Cornell stated the last time it was adjusted was back in 2003 so we took that the start date to readjust it so in 2003 the Aldermen looked at the exemptions again and we just took that date assuming well that's the cut off date looking forward there was a three-year gap there.

Alderman Lopez asked do you think that having that is going to disqualify people in 2007 or in 2008?

Mr. Cornell stated that will actually increase the pool of people that will qualify will go from \$27,500 to \$30,000, so the pool will actually be getting bigger if this new limit is adopted.

Alderman Lopez stated you don't people that people will not be disqualified because of inflation or cost-of-living or Social Security or all of the income that they have received over the years might not reach that goal of \$30,000 or over the \$42,000 mark being married.

Mr. Cornell stated in some people it certainly will disqualify them but these figures are higher than what they currently are at now.

Alderman Lopez stated I'm just curious as to why we wouldn't include beyond 2006 when we're doing a reval and looking forward...we're not going to change this every year, I don't presume we are...do you anticipate we will change this every year?

Mr. Cornell replied historically we haven't...historically it's been the year of the reval that everything gets readjusted but that is at the sole discretion of the Mayor and the Board of Aldermen.

Alderman Lopez stated if you would look at the 55% in making your evaluation for the seniors and those who qualify how would you calculate the 2007, 2008 and come up with a number.

Vice-Chairman Gatsas asked why would we be looking at a projection, we've never looked at that before?

Alderman Lopez replied why not look at it.

Vice-Chairman Gatsas stated because you don't know what the tax base is going to be there could be a drastic reversal.

Alderman Lopez stated unless we say we're going to look at this every year.

Vice-Chairman Gatsas stated we do look at it every year.

Alderman Lopez stated but we don't change it every year...historically it's been every three years. So, if we're saying that we're going to look at it every year we might change the net income every year for the singles that's one thing.

Vice-Chairman Gatsas stated I would think that we should be looking at it on a yearly basis.

Alderman Lopez stated I think so too instead of waiting three years.

Vice-Chairman Gatsas stated I don't disagree with you.

Alderman Lopez stated that's the only point I'm trying to make here.

Alderman Osborne stated on the total allowed assets it's \$75,000, when was the last time that was changed?

Mr. Tom Nichols, Assessor, replied that was changed I think in 2001. It used to be \$35,000 and then increased it to \$75,000.

Alderman Osborne asked don't you think that ought to be increased a little bit more. It doesn't go too far today...\$75,000 you can buy an automobile for that.

Mr. Nichols stated the Board of Mayor and Aldermen can decide that.

Alderman Osborne stated I understand that but how do you feel about it? Do you think this is a good level or do you think it should be higher?

Mr. Nichols replied I think the married couple are not given a fair shake. If you use \$75,000 and I know a lot of people disagree with this but \$75,000 for a single person and \$75,000 for a married couple is not fair. This could be changed along with the amounts you plug in for the \$70,000, \$95,000 and \$125,000 if you increase those.

Alderman Osborne asked how would that effect the figures?

Mr. Nichols replied I don't know. We have a list right now of people that are disqualified because they're over either on income or by assets and we won't know until a few more months before people could be put on.

Alderman Osborne stated I think it's something we should look at anyway.

Mr. Cornell stated it's always a balance. The exemptions are there if you give tax relief for those in need and that just has to be balanced every time we give an exemption to someone in need certainly it does take revenue off the tax base.

Alderman Osborne stated somebody could have \$75,000 worth of antiques and not a penny in the bank...what good is that...\$75,000 what does that mean...they have \$75,000 that they can pay taxes with, no it doesn't mean that does it. What I'm trying to say is where do we go from here on something like this...this total allowed, what does it mean?

Mr. Cornell replied right now...you're correct...the amount is \$75,000 in assets, however, how those assets are derived if you have over \$75,000 in assets...

Vice-Chairman Gatsas stated I think what they're trying to say is that whatever the wish of this Board is...if we want to increase it to \$200,000 we can do that.

Alderman Osborne asked but what would be the consequences of doing that...that's what I want them to tell me.

Vice-Chairman Gatsas stated I'm sure it's going to increase the number of participants that you're seeing now.

Alderman Osborne stated exactly...what do they think...how much would that increase it?

Mr. Cornell replied currently if you look at what was projected if we increase to keep things proportional for removing about \$265 million will come off the tax base. If those are increased or maybe it goes up to \$300 million. It's difficult to

tell because what happens is someone comes into the office they're given a list of the guidelines. If they don't meet the guidelines typically they don't apply. So, we're not quite sure how many people are coming into the office who get a sheet of the guidelines, they see they don't meet them and just walk out the door. So, it is difficult to tell.

Alderman Osborne stated maybe there are some people out there who are losing their homes because like I said they probably have \$75,000 which are just antiques or whatever it might be...non-tangible things whereas they lose their home because...that doesn't happen...he's nodding his head.

Mr. Stephan Hamilton, Assessor, stated we have other programs that are further taxes for the elderly. If they can't afford to pay the taxes they defer the taxes to next year and that's available to people now and we do have people that are on that program where their current taxes are deferred into the future when they sell their property or their heirs settle their estate.

Alderman Osborne asked what was the reason for them to go into that program rather than this one?

Mr. Hamilton replied sometimes it can be a combination of both because there can be people who qualify for this benefit but then they still have taxes that they still can't pay. So, at that point the balance of the taxes go into the Deferral Program.

Alderman Forest stated one question I have along Alderman Osborne's...if we increase the exemption from \$75,000 to a higher amount who makes up the difference at the other end?

Mr. Cornell replied certainly the tax base is set out on that net valuation. So, we start with a gross and take off the non-taxables...any of the exemptions and you go down to the net valuation and that's what the tax base is set on. So, it's kind of spread out through the rest of the properties.

Alderman Forest stated so the other properties that are paying the full amount are going to be paying the extra on this tax exemption if we raise it.

Mr. Nichols stated the only reason I brought that up is because there are a lot of people who come in who qualify because the assets of \$75,000 for a married couple puts them out of the box whereas a single person comes in and has \$75,000 in assets and they qualify.

Mr. Hamilton stated, Alderman Gatsas, if I might...to answer your question about the various income and asset limits for different categories. It does appear... we've never been asked this question before but the statute does provide for different income levels for the different categories. I'm not quite sure that that applies to the asset limits for those categories.

Vice-Chairman Gatsas stated it applies to both the income and asset limits...that was the intent of the legislation.

Mr. Hamilton stated with doing further research then...

Vice-Chairman Gatsas stated I certainly respect your opinion. I would suggest you do some further research. I guess the question I would have and I think it's a pertinent one...is there any way we can tell how many residents in the City of Manchester over the age of 80 or 80 and over own their own property?

Mr. Cornell replied that's difficult because we do have a database of all owners but we don't have a corresponding database to what their ages are. So, we could certainly do some analysis on maybe some census data and try to work at it that way.

Vice-Chairman Gatsas stated based on the data that we have here before us on the page that shows you the number of exemptions...I think is the second page...you see there the total exemptions have reduced from the year before and the exemptions on all three categories have gone down except for the over 80 which has gone up...not significantly but it's up. I guess I look at that 1,200 exemption and I guess I'm looking for you to do a calculation somehow on it looks like the over 80 population is largest one that's there and the exemptions in the community of Hooksett don't have income or an asset test, I believe, over the age of 80.

Mr. Cornell stated that's correct. I do know when they did do the no asset I know their numbers did rise substantially.

Vice-Chairman Gatsas stated I would think because what you're saying here that the exemption would go to \$227,000 on a home is what the exemption number would be based on your calculations.

Mr. Cornell stated that's correct.

Vice-Chairman Gatsas stated so if I take that \$227,000 what do you think that the corrected tax rate...your estimate would be?

Mr. Cornell replied if you look at where the old tax base was...it's \$28.36. If you plug in the \$9.7 billion we're looking at last year's figures so we're not messing with this year's figures but you need a tax base basically at 15.59.something, but basically 15.60 to generate the same funds for this tax base as the same funds as last year's tax base.

Vice-Chairman Gatsas stated so what you're saying is the house that was assessed that we allowed an assessed value at \$125,000 was roughly a \$3,500 tax bill...\$3,545...moving it to \$127,000 using your same calculations brings you to \$3,545. What's the average price of a home going to be under the new evaluation?

Mr. Cornell replied I would say in the \$250,000 range. We won't know for certain, we're still working on those figures but if you figure the average...the average home sold last year was a little over \$250,000...there was about a thousand sales so that is a large population of sales but it was a little over \$250,000.

Vice-Chairman Gatsas stated so basically what's happening is this person at age 80 if he or she falls under the other criteria is not paying a tax of \$3,500.

Mr. Cornell stated that's correct.

Vice-Chairman Gatsas stated I guess you really can't do a calculation until you find out how many people are over the age of 80. To say you have a sliding scale because again I don't disagree with where Alderman Osborne is going because \$75,000 in net assets...if you own a car...let's say that's \$20,000 I would assume that your furnishings in your house are another \$20,000, I would assume that you must have some sort of financial stability of \$35,000 and if those things qualify you're not qualifying for it. If you have less than that and you're on a fixed income I don't know how you pay your tax bill. I don't know how you own your own home because if you just trip that number and you said you don't have \$75,000 worth of assets I don't know how you'd pay for your lights, your heat, your taxes and be in that home.

Mr. Cornell stated certainly it makes it extremely difficult.

Vice-Chairman Gatsas stated I would say it makes it impossible.

Alderman Osborne stated on that same subject...why did they ever put in...all personal property such as cars, antiques, furniture, jewelry...why not pull that out, why do you need that in there...cars, antiques, furniture, jewelry...when you can

just to according to savings, their checking accounts, stocks, bonds, CD's, money markets...whatever they have in assets in that fashion rather than what kind of furniture they have and how much jewelry they got when they were young and so on and so forth...I can't even see that...why can't it go that route because you also have the total net income...so you know how much income they're making, how much they have in the bank, you know how much their worth period. What they got for a wedding gift or a two carat diamond 35 years ago shouldn't even come into the picture because they're not going to sell it anyway.

Mr. Cornell replied that's just a state statute that we have to go by, those are the guidelines we have to accept because net income...

Alderman Osborne asked who sets the guidelines?

Mr. Cornell replied it's all in the state statutes.

Vice-Chairman Gatsas stated just change the number, change it to \$50,000, change it to \$200,000, change it to whatever you want.

Alderman Osborne asked change what?

Vice-Chairman Gatsas replied change the \$75,000 to whatever number you want. We do that here.

Alderman Osborne stated either way but I'm just saying I don't know why they've got all those things in there when really it's immaterial.

Alderman Long stated with respect to data collections...do you and then progressively since 2004 the 65 to 79 has decreased...would you have data as to who was on the exemption and then didn't qualify and still own their home, would you know that?

Mr. Cornell replied what that is is people that are in that age group that then reach over 80 so they're moving from one age group to the next age group. We do have some that don't qualify anymore but a large percentage of them...the increase that you see in the over 80 is just people moving from one group to the next.

Alderman Long stated when did you say these last changed...did you say three years ago.

Mr. Cornell replied 2003 was the large change.

Alderman Lopez stated I guess there's some confusion. If you know how many people are in the 80 category, which was about 69...am I right.

Mr. Cornell stated over 80 currently in the system is 630.

Alderman Lopez stated and you know who they are.

Mr. Cornell stated yes.

Alderman Lopez asked what do you do for verification.

Mr. Cornell stated they have to come in, fill out a form and they have to sign under penalty of perjury that all of the information that they're giving us is correct.

Alderman Lopez asked do you see a deed?

Mr. Cornell replied yes we make sure they own the property, make sure they meet all of the qualifications because they do have to sign under penalty of perjury that they meet all of these guidelines.

Alderman Lopez stated you said you didn't know how to identify them am I mistaken.

Mr. Nichols replied let me just tell you that Tony from Information Systems runs a report of all of the elderly's that we have out there. He'll give us the breakdown on the dates of births that we have in the system. The ones that have to go up to the next tier we increase them from \$70,000 to \$95,000 and the ones that are at \$95,000 we increase them to \$125,000 is how we've been keeping track of them. But, there's no way unless we can work with Information Systems and the Tax Collector to find out how many people in the City of Manchester are over 80 that own a house...maybe they register a car maybe they don't. We have been verifying all of the elderly and the disabled and trying to keep a copy of their driver's licenses.

Alderman Lopez stated don't you think that most of the 630 people found out that they're eligible and everybody else who comes in and finds out whether they're eligible too...you probably have the right number 630...I don't know it seems that way.

Mr. Cornell stated currently 630 people are qualified to get on the system there may be others out there that qualify that don't know the system. Occasionally for one reason or another somebody may qualify but they still don't want to get on the system but we do have 630 that are currently on the system.

Alderman Lopez stated you check those every year.

Alderman Osborne asked do you think we could look at a \$150,000 figure so we can put it together for the \$150,000 instead of \$75,000.

Vice-Chairman Gatsas when you look at that same exemption for the blind and also for the disabled...are those limits much higher?

Mr. Nichols replied for disability yes. The income is \$100,000 and the assets are \$200,000. There's none on the blind, no asset limit.

Vice-Chairman Gatsas stated for the blind there's no asset limit and for the disabled there's a \$200,000 asset limit.

Alderman Osborne stated that's not talking about income either. It's just assets, right.

Vice-Chairman Gatsas stated the income for a disabled person is \$100,000.

Alderman Osborne stated cannot exceed \$30,000 or \$42,000 married...that's really putting a limit on it that's for sure. We could look at it, could we do that, could you get something together on something like that?

Vice-Chairman Gatsas asked what's the request...to move it to \$150,000 for all three categories.

Alderman Osborne stated the other category you said is what?

Vice-Chairman Gatsas stated for all three categories 65, 80 and the 75.

Alderman Osborne stated yes.

Alderman Lopez asked why wouldn't there be a difference between single and married people? Can anybody comment on that? Why would we do the same for a single person versus a married couple?

Mr. Cornell replied it's totally up to the Aldermen.

Alderman Lopez asked does anybody do that?

Mr. Cornell replied some communities do it and some communities spread it out.

Alderman Long asked do we know what those numbers are? Do we know currently what we have for single in those categories and married?

Mr. Cornell replied if you look at the different sheets for each category it gives the different asset limits...so for the Elderly the asset limit is \$75,000, for the Disabled the asset limit is \$200,000.

Alderman Long stated no do we know the breakdowns of how many people between the categories are single or married, do we have that breakdown?

Mr. Cornell replied we don't have the breakdown we just have the total if you qualify, husband and wife are qualified single...we have this one total.

Alderman Long stated I think it might help to figure out a number as Alderman Osborne was saying...whether we want to do a single or married...if you told us 80% are single I guess the trend would be that they would be single or if 80% are married then we need to look at whether we want a different number for married.

Alderman DeVries stated a quick question to follow up on this line of questioning. We're talking about the asset limit and breaking out single versus married for separate levels if I understand some of the questions going back and forth and having a higher asset limit for married couples than there is for singles correct.

Mr. Cornell stated that's correct.

Alderman DeVries stated wouldn't that present a scenario with an elderly couple if one dies, if they qualified under the married exemption limit obviously they would leave any assets that they have to the survivor so that could set up a scenario where a widow or widower no longer is eligible for the exemption that they would have had when they were together because all the assets would have been left. So even not worrying about life insurance policies and such...I wonder if that is why it was consistent across the board.

Mr. Hamilton stated that may have been at one time but the statute is consistent and it allows if you do have a different asset limit to continue on that benefit if the spouse does die.

Alderman DeVries stated so they added into state law to make up just for that circumstance.

Mr. Hamilton stated they've already contemplated that problem.

Alderman Forest stated the question I have to go along with that if you bring those numbers back to us that we need also a study on the impact, the tax rate on this also because we could be doubling the amount of people that come in for exemptions and that could do a job on the tax rate.

Mr. Nichols stated I guess what the Board wants is how many people are in the Elderly right now that are either single or married is that what you're looking for?

Vice-Chairman Gatsas asked Alderman Osborne what would you like them to bring you back...moving the exemption from \$75,000 to what number?

Alderman Osborne replied \$150,000. Do you want to bring it in at two levels?

Mr. Nichols stated my question is do you want to know how many people that are receiving the Elderly exemptions that are single versus married.

Alderman Osborne stated I didn't ask that question.

Vice-Chairman Gatsas stated Alderman Osborne asked to move the exemption from \$75,000 in assets to \$150,000.

Alderman Osborne interjected why don't you use both figures...\$125,000 and \$150,000.

Mr. Hamilton stated \$125,000 and \$150,000...we can certainly do that just keep in mind these are estimates because we don't know the population out there.

Vice-Chairman Gatsas stated you're going to know that if you go back and do your research...we moved the assets three years ago so I think what this will probably tell you is that if you look at what was generated in that bar graph on page 2 I think they were done in either 2002...that's why I think you see that spike...it went from 1155 in 2001 to 2002 from 1155 to 1260.

Mr. Nichols stated the income changed back in 2003-04...the asset limit still stayed the same at \$75,000.

Vice-Chairman Gatsas asked when did the income limits change?

Mr. Nichols replied it was either 2003 or 2004...it went from \$24,400 and \$27,000 to the current amount that they are right now...\$27,500 and \$38,500...I believe it was 2004.

Vice-Chairman Gatsas stated I think you may want to go back and take a look, I think it was 2001 if memory serves me right.

Mr. Nichols stated in 2001 there was a change but the asset limit went from \$35,000 to \$75,000 and it's been there right along.

Vice-Chairman Gatsas stated that's what I'm saying to you. I think that in 2001 before the legislation in Concord was changed where you could change your criteria in between each category they were all consistent...all the incomes were consistent, assets were consistent and that's when you saw it go from 1155 to 1260...that's when the changes appear. So, my suggestion is that you go back and see what they were in 2001 because that's where you're going to see your growth number...you apply that same growth to 1199 and you might see it jump again.

Mr. Cornell stated we can certainly do that.

Vice-Chairman Gatsas stated can we talk about the Veteran's Exemption.

Mr. Cornell stated the Veteran's Exemption is currently \$300. It increased last year from \$200 to \$300 and if you're totally and permanently disabled it's a \$1,600 cash credit directed to your bill.

Vice-Chairman Gatsas asked is the exemption being applied to any of the Iraqi soldiers just coming back?

Mr. Cornell replied there's a change in the law so if you served in the Army during those time period you qualify, however, you do have to be honorably discharged. So, if you come home...if you're still active in the Army you can't get on the Veteran's Exemption until you're honorably discharged from the Army but we do see soldiers coming back that have been discharged and are certainly getting on the Veteran's credit.

Vice-Chairman Gatsas stated I guess my question is that I see the exemption dollars being the same from last year as they are this year.

Mr. Cornell stated we may have a slight decrease this year than last year...the numbers haven't been finalized yet but for those that are either selling or passing away may be greater than those that we're adding this year. So, at least for this year it may be the same or it may be slightly lower but going forward we do expect those numbers to trend upwards as these soldiers do come home.

Vice-Chairman Gatsas stated so you will bring us some numbers at 2006 that show what you believe is the reduction.

Mr. Cornell stated that is correct.

Vice-Chairman Gatsas stated with a \$300 exemption roughly 3,037 exemptions... can you get me an exact number of what we had for exemptions in '05.

Mr. Cornell stated in '05 we had 3,851 total veterans but out of that 148 were totally and permanently disabled.

Vice-Chairman Gatsas stated again slowly please.

Mr. Cornell stated in 2005 we had 3,703 standard veterans and 148 totally and permanently disabled veterans.

Vice-Chairman Gatsas stated the 148 received how much?

Mr. Cornell replied the 148 received a cash of \$1,600.

Vice-Chairman Gatsas stated the 3,703 received \$300.

Mr. Cornell stated they received \$200 for last year and they'll receive \$300 for this year.

Vice-Chairman Gatsas stated so for this year it would be \$1,110,900. So the total would be \$1,347,700 for the Veteran's Exemption which is about \$400,000 higher than what it was in '05.

Mr. Cornell stated that's correct.

Alderman Lopez stated I have \$1.241 million, so we can play with that.

Vice-Chairman Gatsas stated I'm just doing the simple math...3703 times \$300 is \$1,110,900, 148 times \$1,600 is \$236,800.

Alderman Lopez stated they gave an official number before. If they're going to go by your number fine.

Vice-Chairman Gatsas asked what was the official number...why do you have a different number?

Alderman Lopez stated I don't have a different number they gave it before on the Veteran's Exemption at a Board meeting in a letter in reference to going from \$200 to \$300 and what it would be...also the overlay.

Vice-Chairman Gatsas stated I understand but when did we get the other letter?

Mr. Cornell replied we sent out a letter March 14th with these exact same figures.

Vice-Chairman Gatsas asked which figures...the \$1,347,700.

Mr. Cornell replied the exact same figures that you're quoting as far as the numbers...our numbers, I believe stayed the same unless we...both memos that I have in front of me have the exact same numbers.

Vice-Chairman Gatsas stated that's why I'm asking where Alderman Lopez is getting his numbers.

Alderman Lopez replied I got them from the Assessors.

Vice-Chairman Gatsas stated but he's telling you that the number that I just gave him is the same number...you have a million something don't you.

Alderman Lopez replied \$1.241 million increased \$200 to \$300 working on the numbers of the Veteran's Exemption.

Mr. Cornell stated I think he's also adding in the 148 veterans that will get the \$1,600 also.

Vice-Chairman Gatsas asked are there any other questions? There were none. So, you will be coming back with the Elderly Exemption with the guidelines that Aldermen Osborne and Long are looking for.

Alderman Duval asked does this Board have discretion over the setting of a Manchester qualifier in terms of residency?

Mr. Cornell replied that is also by state statutes. It was five years and there's some legislation now to introduce it to three years and I believe it's somewhere...the Governor may be getting ready to sign that I'm not sure if he is or not...so that's set by the state. It was five years but it looks like it may be three years now.

Alderman Duval stated I'm talking about a requirements for the length of time you live in the City of Manchester.

Mr. Cornell stated no it's just the state.

Alderman Duval stated it's just the state...that's what I'm asking you does this Board have discretion over setting a qualifier for residency.

Mr. Cornell replied I don't believe so just for the City of Manchester. I think that would have to be done at the state level.

Alderman Lopez stated the overlay account still remains the same.

Mr. Cornell stated that's correct. All of our analysis to date shows that the 3.2 is the correct figure to put in.

Vice-Chairman Gatsas asked did you find that letter we were suppose to...

Mr. Cornell replied actually we did. Today we've been searching and searching and found it today and it's attached to the sheet we handed out...it's the very last page.

Vice-Chairman Gatsas stated so if I fortunately took the \$5.2 billion on a proportionate level that's not going to bring me to \$3.2, it's going to bring me less.

Mr. Cornell stated keep in mind what was actually expensed that year was about...closer to \$2.5 million.

Vice-Chairman Gatsas stated I understand but that didn't come from the overlay...expense and overlay are two different things.

Mr. Cornell stated what was expensed to the overlay account for the tax year 2001 was about \$2.5 million.

Vice-Chairman Gatsas stated about a million of that came from the year before.

Mr. Cornell stated there was a fund balance carried forward.

Vice-Chairman Gatsas asked what is the fund balance now in '05?

Mr. Cornell stated totally in all of our accounts it's right around \$900,000.

Vice-Chairman Gatsas stated so there's about a million dollars there now...roughly \$900,000.

Mr. Cornell stated we also have all of those liabilities outstanding.

Vice-Chairman Gatsas stated you had them back then in '05, you had them then back in '01...the same liabilities existed.

Mr. Hamilton stated to speak to that quickly we do have \$900,000 in the fund balance but we do have a number of cases that have been recently settled and we have a lot of payments that are in the middle of being processed.

Vice-Chairman Gatsas asked how much out of the \$900,000?

Mr. Hamilton replied approximately \$285,000 or \$290,000.

Vice-Chairman Gatsas stated so let's say it's \$300,000, so you've got six left...go back and tell me what they had.

Mr. Hamilton stated we still have liabilities for tax year 2003, tax year 2004 and tax year 2005.

Vice-Chairman Gatsas asked can you tell me what the liabilities were for tax year 2000, tax year 1999 and 1998?

Mr. Cornell replied we don't know that at this point.

Vice-Chairman Gatsas stated so all I'm saying is if you didn't know that then, they didn't know that then and if you're giving me this is the number of a number that we're looking at...if I took that same percentage and took the \$5.2 billion that's about a 90% increase, is that about right...evaluation?

Mr. Cornell replied you're right but from 2001 it would probably be about a 90% increase...keep in mind though that the \$1.5 million that they requested was an estimate. Even today we're presenting you with an estimate but what we did was we looked back to 2001 to say okay what was the actual figure expensed...was the estimate was and the actual figure expensed was about \$2.5 million. So, the proper figure in 2001 that should have been put was \$2.5 million.

Vice-Chairman Gatsas stated I understand but obviously they didn't move it in 2002, they didn't accelerate a million dollars into the 2002 budget to take care of that problem because the money was there from the 2000 money.

Mr. Cornell stated if you look at the Overlay account there was actually more money put in the years after the reval as the year of the reval and basically that was trying to back feed some of the expense that should have been expensed during the year of the reval.

Vice-Chairman Gatsas stated you're never going to see it. We can do that same thing next year. There's no reason to put \$3.2 million in an overlay, in a reval in '06 because you're never going to see those kinds of expenses in the '06 budget. You're never going to see that in '06.

Mr. Cornell stated if you look at the liability and once again that liability may take...it may take to 2009 before that liability is actually incurred. As far as our opinion...as far as proper GAAP accounting that money should be set aside in the year that the expense actually occurs not when it's paid out. So in 2009 it may be a 2006 case...if we lose the case we should be returning funds that were raised in 2006.

Vice-Chairman Gatsas stated I understand that but here's the problem...it's a guess and if you're wrong at \$3.2 million and it's only \$1.5 million that comes in then the taxpayers are paying for it.

Mr. Cornell stated or conversely if it's \$5 million...

Vice-Chairman Gatsas interjected and we can take that in the course of budgets going forward because you're never going to see the expense in 2006. You're not even going to see the liability in 2006. So, how do you expense...hear what I'm saying Kevin. I'm just looking at this thing and saying you're giving me a number of \$3.2 million only because you have to sign off at it on the tax rate at the DRA (Department of Revenue Administration).

Mr. Cornell stated and it is an estimate. We don't know because the cases can't even be filed in December...that is why we looked at historical trends...we went back to 2001 and we said not what was the estimate but now we have the benefit of what was the dollar amount actually expensed and that's where the \$2.5 million comes in. The other thing for the Board if you look at the past two revals as one of the slides showed and if you look at the decrease in the tax rate for the tax base

in the year after reval...if it's not properly expenses in the year of the reval then the year after the reval where the tax base itself may be shrinking and then we're collecting those funds which should have been collected in the year of a reval it makes the budget process that much tougher.

Vice-Chairman Gatsas stated all I'm saying Kevin is I think GAAP will allow us to do it either way.

Mr. Kevin Clougherty, Finance Officer, stated GAAP requires an accrual, a modified accrual approach to this is what the Assessor's are saying but it is an estimate. It is an estimate and there are different economic times. Obviously, the economic situation we were in in 1990 as opposed to where we are today is that the consideration has to be reviewed. So, in the final analysis it's the Assessor's calls. They set the Overlay based on modified accrual basis of what they think is prudent for reserves moving forward.

Vice-Chairman Gatsas stated I'm just looking from a historical value and the historical value is telling me that we're being over conservative on an Overlay account and if that's to protect the Assessor's because they've got to sign under whatever you want to call it at the DRA make sure they're within those capabilities I have a problem with.

Mr. Clougherty stated I understand and you're both right...your assessment is right but it is ultimately their call to set what they think is prudent for these based on their professional judgment and on a modified accrual basis.

Vice-Chairman Gatsas stated but their professional judgment, if they're wrong, cost the taxpayers money.

Mr. Clougherty stated again it's in the Reserve.

Vice-Chairman Gatsas stated I understand that but there's nothing that we can do with it if they're off by a million dollars you can't adjust it in the following year to reduce that Overlay as a protection and give the credit back to the taxpayer.

Mr. Clougherty stated the Overlay account is adjusted each year going forward. They are always looking back I think based on what happens with their cases and they're trying to be prudent in that regard and they do have to sign as I do with the revenue that they're making their best estimates within the pain of perjury so they take it seriously.

Vice-Chairman Gatsas stated I guess what I'm looking for is for your to do an analysis from at least 2001 to the current on what those Overlay accounts and what the expenditures were against them in the given year before it because I think... and I understand your conservative position but I understand we're trying to work with a budget here and that's an awful big number that nobody's ever looked at before.

Alderman Roy stated a question for the Assessors and one for the City Finance Officer...what is the formula and if it's not simple you can get it to us in writing of how the Overlay is established. Is this a set...

Mr. Cornell replied in a round figure basically if you look at what happened in 2001...roughly around 2% of the tax base was ultimately abated. Using 2001's tax rate came out to about \$2.5 million. If you look at our projections here we're projecting roughly around 2% would be abated, 2% of that tax base based on a projected tax rate we would need about \$3.2 million to account for that.

Alderman Roy stated success rate after you have the 2%...is that factored into the formula?

Mr. Cornell replied the 2% is the total tax base that we projected in 2001...keep in mind that in 2001 was one of the hottest real estate markets in the history, so in one way I don't think we're being that conservative here because the levels are leveling off...even if they could slide that \$2.3 million we may need more than that because in 2001 we had homes...the day we put the assessments on we came out in the year of the reval by 91%...we were already about 9% low.

Alderman Roy stated just so I'm clear with what the numbers you're giving...I'd suggest not switching the three and the two around because you almost got yourself \$900,000 in there...the 2% that was abated in 2001 was that the amount adjusted or was that the amount of tax base abated?

Mr. Cornell replied that was abated but over probably three years.

Alderman Roy stated the three-year timeframe is when it goes through BTLA and you have to defend your rationale but when the reval happened and there was a certain number of people in the City that came and said my assessment is wrong is that the 2% number or is that a higher number?

Mr. Cornell replied that would be all of it.

Alderman Roy stated so that would be all of it...so 2% of the tax base said you're wrong...from there is there a formula that you use for the success rate once it gets to BTLA?

Mr. Cornell replied well certainly each year we analyze the cases...let's say for this year...we looked at each case that we have, where it's currently assessed, where we feel the market value will be and the potential loss that we would have for those cases. In this case, we're projecting forward so we don't know the cases but once the cases are filed each year we do review those cases or may say okay in this case we have a strong case, there would be no adjustment...in this case we may have a weak case so we'll make a 10% adjustment and we go down the spreadsheet to see what the dollar impact would be.

Alderman Roy stated I have a second question for the Finance Officer and then I'll yield quickly to Alderman DeVries. Kevin, statutorily can we not fund \$3.2 million on the budget this year?

Mr. Clougherty replied my understand is that it's not a budget item. It is set by the Assessor's as part of the tax rate setting process, it's their call.

Alderman Roy stated so no matter what number we put in come October/November the Assessors' are obligated to do the \$3.2 number if they feel that is a correct number.

Mr. Clougherty stated whatever number they enter on their MS forms to the state is the number that is going to be calculated for the tax rate. Now, David, is that your understanding as well?

Mr. Cornell replied that's my understanding.

Mr. Clougherty stated it's their call.

Alderman Roy asked does this Board have the authority to tell the Assessor's what number to put on that line item?

Mr. Clougherty replied I don't believe so but I'll defer to the Solicitor on that. I know that in the past there has been discussions and the reason that it's been set up this way is so that the cities and towns will have an amount set aside for reserves because the pressure is always going to put less than the Abatement account and it's my understanding that's why it's separate but I'll defer to Tom on the legality of what you.

Deputy City Solicitor Arnold stated I don't believe you can direct that number... the statutes put that in the hands of the Assessors.

Alderman Roy stated thank you for that answer and I thank the Chairman for the latitude. I just want to make sure we're all playing from the same deck of cards when to numbers. We don't have the option on this...it's the three gentlemen sitting there and that Board's decision and if they say it's going to be \$3.2 then that's the budget number we shall be starting with unfortunately. So I ask them to do their best professional opinion and sharpen the pencils. Thank you.

Alderman DeVries stated since we're repeating our meeting from a few weeks ago I'll repeat my comments because it just appears to me when we look historically we had a revaluation five years ago we would have captured a lot of the large commercial abatements that were challenged, defended and you prevailed on the City versus the individual's filing. I would have to think that if you look at the amount of time between revaluations there's a historical piece that might help you factor in the lower number based on those that appeals previously, those that you know a whole of information about because you did that them through the full abatement process and I'm not suggest...I realize you are going to do your analysis and set your number just as was discussed but when Alderman Gatsas brings forward...is it a conservative number versus one that we would like to challenge you on...that's the piece that I go to.

Mr. Cornell stated percentage wise we're looking at the same percentage wise as we did in 2001 and once again I think in a way that's not even being very conservative at all if you look at the real estate market in 2001 and its trend upward as the real estate market now where it's stabilizing. So, in many ways I think we could be...some could criticize us for not putting in more than \$3.2. Certainly, we're trying to balance both sides and I think \$3.2 is somewhere in the middle.

Alderman DeVries asked are you speculating that you will see a different group abating their properties this time than what we saw come forward in 2001 based on the changes in the market?

Mr. Cornell replied we don't know who but typically for large commercial properties they're typically always either represented by a tax attorney or a tax rep. They do consistently file, we do see those properties do file...but, as far as the number of appeals in 2001 we had about 1,700 appeals and we expect the same percentage wise in this reval. The number of parcels we have has increased but roughly about 1,700 is the number that we expect.

Alderman DeVries stated but since typically it is the large commercial entities that follow through on the abatement and take up a large amount of the Overlay that you put aside...the large commercial market is not flattening out at least from what I saw released recently...that market is...I thought...staying strong as compared to some other segments...residential...that might be flattening. So, I don't quite understand that part of your reasoning and I'm hoping that maybe with some further analysis you can help me understand that.

Mr. Hamilton stated one thing to keep in mind we're talking about the future and not the present and I would agree with you about the present. And, I would agree with you about the present. Presently, the commercial sector is very good, value is very strong but we have to wonder how long will that hold into the future and I know that we had similar discussions here two years ago about whether we should do the revaluation then or wait until 2006 because at that point people were convinced we were at the ultimate top of the market and the market kept on going from there. So, we don't know where the top of the market is per se but we're comfortable with this projection, we think it's based in reality, we don't think it's conservative, we don't think it's liberal, we think it fairly protects the City and its interest into the future. One word of caution is that we only get one swipe at collecting enough money to pay these abatements because if we moved into the future and there was a very bad downturn in the economy and we wound up in a position where we had to request an Overlay that was our full statutory allowance which is 5% of the total taxes that are collected then we can't go back. So, if we put off collecting some of the money that we might need to abate taxes for 2006 until next year or the year after and then the economy turned down significantly we'd be part having to pay back the money we should have paid back for 2006 and trying to abate those cases for 2007 or 2008, it would put the City in jeopardy... that's one of the things that we're concerned about.

Vice-Chairman Gatsas stated with all due respect though, with all due respect...if the economy goes down and the tax base goes down...there's less revenue coming in...we have what's called a "Rainy Day" account...so we have the ability to get those funds from there. So, I'm looking at comparing apples-to-apples and I'm looking...and you can't tell me that the Overlay account in 2000 was any more than \$1.5 million because you've got it on this piece of paper. I don't care what the expenditure was. The expenditure was no different than what it is today. I'm not looking for you to reduce the Overlay account to \$1.5 but I think you need to use what you have in the '05 number of \$600,000 just as they did in '01. You had a million dollars that they expensed that they knew was coming forward. So, if you show us an Overlay of \$2.6 million with the \$600,000 that you have in reserves in '05 it's no different than what they did in '01.

Mr. Cornell stated keep in mind that in '01 they had a large fund balance. The balance we have today...we're struggling hard for those liabilities out there today so we don't run out of money just for the current liabilities. We've had a couple of cases that we were fortunate enough to win. If we would have lost those it could have wiped out our account...we would have had zero money in the account and we would still have all these liabilities out there.

Vice-Chairman Gatsas stated but I think that's no different than what it was in... do you know what the facts were in '01?

Mr. Cornell replied I do know that in '01 there was a large fund balance being brought forward.

Vice-Chairman Gatsas interjected which was a million dollars...do you know how much was out there against that million?

Mr. Cornell replied I'm not sure, no.

Vice-Chairman Gatsas stated well until you can tell me that because if there was \$2 million in claims against that number then you're being overly conservative with your \$3.2. Unless you can tell us what the expenditures were in that '01 account you can't compare that year to this.

Mr. Cornell stated what we did do though and this is the important part...is we looked at 2001 as a stand alone year...stuff being brought in or stuff being brought forward...as a stand alone year in 2001 what was the dollar expense to 2001 and that was about \$2.5 million.

Vice-Chairman Gatsas stated but you don't know if that was expense, Mr. Cornell, against claims that came in from 2000 or 1999...you don't know that.

Mr. Cornell replied those were '01 cases. For '01 cases the total dollars that was spent for the '01 cases was about \$2.5 million.

Vice-Chairman Gatsas asked what happened to the cases that were in there for 2000...nothing was settled out of 2000?

Mr. Cornell replied some were settled out of 2000.

Vice-Chairman Gatsas asked how much was it?

Mr. Cornell replied I'm not sure. The analysis that we did was 2001.

Vice-Chairman Gatsas stated I understand but you couldn't take \$2.5 million to expense 2001 if those funds were there for 2000.

Mr. Cornell stated what we did is we looked at the account that...

Vice-Chairman Gatsas interjected are you suggesting that this City over expensed in 2001 and didn't accumulate what they had for expenditures in 2000?

Mr. Cornell replied what we did...we looked back to the 2001 and for those cases that were settled for tax year 2001 that was paid out for tax year 2001 the figure was about \$2.5 million.

Vice-Chairman Gatsas asked what happened to the cases that were in there from 2000?

Mr. Cornell replied those were settled or...

Vice-Chairman Gatsas asked where did that money come from?

Mr. Cornell replied there was money the prior year.

Vice-Chairman Gatsas stated let's try it again...there's was a million dollars that was carried forward in 2001 which gave you your \$2.5 million.

Mr. Cornell stated there were funds that had to be brought backward. In 2003 the Overlay account was about \$1.5 million and as soon as the funds hit the account we then had to transfer those funds back to the 2001 account.

Mr. Hamilton stated if I might help to try and explain this...the Overlay fund use to be a single bucket where if you had to pay an abatement out it just came out of the single bucket but the Overlay fund has been set up now for a couple of years... it leads back to 2001 whether individual cups and each one of those represent the account for each of the years that we've collected taxes for...the amount of money that was paid out of the cup for 2001 was \$2.5 million...whether it was paid out in 2003 or whether it was paid out in 2001 that was the amount that all accrued back to that single tax year.

Vice-Chairman Gatsas stated I don't disagree with a word you've just said.

Mr. Hamilton stated that's where the \$2.5 million comes from. It doesn't come from the million dollars coming forward and the million-and-a-half estimate. It comes from all of those expenses.

Vice-Chairman Gatsas stated if you only had \$1.5 million in that cup how did you pay \$2.5 million in expenses?

Mr. Hamilton replied what happened was the Overlay initially projected was at \$1.5 million and I think it came in at just over \$1 million for the 2001 tax rate setting, it was not enough and if you look at the...

Vice-Chairman Gatsas interjected here's my question, Mr. Hamilton, and it's a simple one...just answer the question...you said you had a cup and in that cup was \$1.5 million...your expenses were \$2.5 million...how did you pay the \$2.5 million because certainly we'd like to know that answer right here because we'd love to try and do it.

Mr. Hamilton replied we had to backfill the cup.

Vice-Chairman Gatsas asked how did you do that?

Mr. Hamilton replied every year that we had an Overlay request for the tax year 2002, for tax year 2003 those monies had to go back into paying out those funds.

Vice-Chairman Gatsas stated okay. So, it can be done because it's been done before. Thank you.

Mr. Hamilton stated that was the position this Board was at when I came onto the Board and this Board told us that we had to be on an accrual method which looks forward to having those cups filled before we get to the point where we need the money.

Alderman Shea asked what has been placed or is in the budget right now for an Overlay...what do you have for an Overlay, how much money, right now?

Mr. Cornell asked what we're projecting for 2006?

Alderman Shea replied no...what you have in your budget now...how much did the mayor give you, how much do you have in your budget now for an Overlay...how much money do you have?

Vice-Chairman Gatsas replied \$766,000.

Mr. Cornell stated the Mayor's projection was the figure that we used last year which I believe was \$766,000.

Alderman Shea asked what do you have?

Mr. Cornell replied those will be funds that we'll be receiving.

Alderman Shea stated the funds that you're receiving and the funds that remained in the Overlay are how much...how much do you have...do you have a million, do you have \$800,000?

Mr. Cornell replied we have about \$900,000.

Alderman Shea asked how much more are you requesting, how much more do you need or how much more are you requesting?

Mr. Cornell replied for 2006 we're requesting the \$3.2 million.

Alderman Shea stated so what you're saying is you're requesting the difference between \$900,000 and \$3.2 million...that's what you're requesting, is that correct?

Mr. Cornell replied the \$3.2 million is the total figure that we're requesting for tax year 2006.

Alderman Shea stated and you have \$900,000, is that correct?

Mr. Cornell stated the \$900,000 is in the account but those are to pay for previous year's abatements.

Alderman Shea stated I realize that but that's what you have now...you have \$900,000 right now regardless of what it's going to be used for you need \$3.2 million is that what you're saying?

Mr. Cornell replied that is correct for 2006.

Alderman Shea stated so the difference between that...you're requesting \$2.3 million more than what you actually have now...that would add up to \$3.2 million.

Mr. Cornell stated the \$3.2 million is our projection of the 2006 liability that will be paid out over 2007, 2008 and 2009.

Alderman Shea stated right, right...so you need that amount, right.

Mr. Cornell stated that's correct.

Alderman Shea stated so you don't have that much...what you're saying is in order to pay for what we anticipate that we'll have to pay over the next three to five years or whatever for Overlay expenditures we need an addition \$2.3 million, right.

Mr. Cornell stated right...\$3.2 for this year.

Vice-Chairman Gatsas stated Alderman I know where you're trying to go...I don't think he's giving you the right answer so let me see if I can't answer the question. Your question is that on the sheet that was given to us the Overlay account because it's different than the \$900,000 that he's talking about is years in the past. So, that has nothing to do with it because in the accrual basis...in this sheet is \$766,734...what he's requesting is \$3.2...what that number should be reflecting on this sheet that we were all given should be an additional \$2.4 million.

Alderman Shea stated he said \$2.3, \$2.4, right.

Vice-Chairman Gatsas stated but he's using nine which you can't use that number.

Alderman Smith stated I would imagine that you're holding the \$900,000 but I know you gave us the information...how many abatements are you processing now that haven't been fulfilled, how many abatements total do you have right now that you're reserving that \$900,000 for.

Mr. Cornell replied these figures are a few weeks old but for 2003 we have about 61 cases...keep in mind this is a few weeks old...2004 there's 154 cases and for 2005 there's 311.

Alderman Smith asked what are your projections now with the reval coming up. What would your projections be for abatements...I would imagine they would be double of the figures you just gave us.

Mr. Cornell stated in 2001 there was a little under 1,700 abatements so we would expect the same percentage. Back then there was about 16% of the tax base appealed. So, if you look at the figures here...16%...you're talking almost \$1.5 billion under appeal, so with \$1.5 billion under appeal if you don't have a proper amount in the Overlay account that can have a detrimental impact to the City.

Alderman Smith asked what do you think the percentage of the appeals that the City actually survives and we don't have to pay out and the number of abatements when you appeal...what is the percentage?

Mr. Cornell replied I'm not sure of exact percentages but there was a big group that are just denied all together...we feel that they have no merit...there's a group that they get a small reduction and then there's a group that were clearly wrong and they are overpaying and those we adjust.

Vice-Chairman Gatsas asked, Mr. Cornell, can you get me from Nashua what their outstanding cases are for 2003, 2004, 2005...what they're using for their Overlay...what they use for their Overlay account against their evaluations in '01 and what they've got for an Overlay account budget this year. I assume if I remember correctly their evaluation is a little bit higher than ours.

Mr. Cornell stated I know we're very similar I'm not sure.

Vice-Chairman Gatsas stated they were higher by maybe one or two billion dollars in the '05 number, if memory serves me correct so I don't know where they've gone in '06 but if you could get that I'd appreciate it.

Alderman Roy asked, David, if you could also when you bring that back from 1990 till current have the Overlay request, the appropriated amount and the number expended and the percentage of each column...the percentage of difference.

Mr. Cornell stated we can provide the amount requested every year. As Steve said earlier the difficulty is when a case was settled in the past it all came out of one bucket, so if we had a case and it was settled for four years one check was written so we don't have a historical record of what years those came from.

Alderman Roy stated right and that's why I asked for basically a 16-year history is that we will be able to see a trend there. So, if you had a million in expense in 2001 and a million dollars expense in 2002...yes, part of 2002 would have gone '01, '99, 2000 and likewise...that is why I asked for such a long stretch. But, what the Overlay request was, what the amount expended was and what the percentage difference is.

Mr. Cornell stated we can certainly do that. We did look at historically in the 16-year average is about \$1.6 million. So, to put that in perspective during the year of a reval with a tax base approaching \$10 billion historically we've received about \$1.6 million a year, it's not unreasonable for the \$3.2 million...but we can get those numbers to you.

Alderman Lopez stated I hope after you go through all this process that the number is down from \$3.2 to whatever the Alderman wants. You keep telling us that it's \$3.2 but with all of the work that you have to go and find out this information I would hope that you come back with a lesser than \$3.2...that's what people are saying here. You're going to go through an exercise for whatever reason and I hope you come back and I agree with the Aldermen...if you can come back with \$2 million and lower the tax rate that's fine but we're going to have to have some consistency from the three of you.

Mr. Cornell stated certainly our job the way we see it is just to present the accurate amount. We know it's an estimate, we've tried to do the best research we can and the \$3.2 is actually lower than some years. If you look back in 1993 with a tax base of \$3.7 billion about a third of what we're projecting there was an Overlay request of \$3.7 million.

Vice-Chairman Gatsas stated with all due respect, Assessor Cornell, there were 10 banks that closed in Manchester in 1990 which had a pretty big reflection of that and there was a company called Anorio that was selling property at less than two cents (\$.02) on a dollar so I don't know how old you were back then and I don't know if you were in the business back then but I can tell you it wasn't a fun time in this City, so let's not use that as a comparison.

Mr. Cornell stated certainly we're not using that as a comparison.

Vice-Chairman Gatsas interjected you just gave it to me.

Mr. Cornell stated no I was just using that as analysis...that's a third of what our tax base will be and yet the number will be less. So, certainly, we're not comparing those.

Alderman Shea stated one important point to consider that the more money that you add to the Overlay the higher the tax rate is going to be...you have to understand that and I think the point that was brought up before is that in these difficult times as it were it's probably very important that you give us a fair and reasonable Overlay but there are provisions as was pointed out whereby if we have to meet certain emergencies we do have provisions built into our municipal

government that would allow us to meet any obligations that do come up and I think that this has to be a very careful analysis that you have to bring forth because obviously to add \$3.2 million to the tax rate would just blow it apart in my opinion so the more judgment and reason that you bring to bear the better all parties are going to be and I really mean that. I think that we do have provisions built in that would ensure that if there is a difficult situation that does exist say in '07 or '08 that we have provisions that are built into our municipal government that it will allow you to meet your...your department's obligations. So, hopefully, you will take that into consideration.

Alderman Lopez stated Kevin I just want to make sure that...correct me if I'm wrong okay...the "Rainy Day" fund...if we're short on the Overlay account can we take any money out of there?

Mr. Clougherty replied the "Rainy Day" fund is if you have at year-end a deficit and that cause is the result of a lack of revenues coming from tax dollars then you can apply the "Rainy Day" fund. You're not going to be able to go into the "Rainy Day" fund and say I'm going to take some dollars over and put it in Overlay that's not the purpose of it. Now, I think the point that the Assessor's are making to you is that there are different times in the economy when it's up and down and you have to try and work and forecast what those are and as everybody said tonight that's an estimate...they have to use their best judgment. Part of the confusion I think is that when the Mayor did his budget trying to give his budget in a presentation that represents 2006 dollars. So, the numbers that you see on the sheet \$776,000 is what you might call an equalized number. When you go to view the tax rate if you're going to take your one-page summary sheet you would have to change the assessed valuation number to the real number, you'd have to change the \$3.2 instead of \$776,000 and you'd have to change the exemption numbers and that's going to have an effect on the tax rate, it's going to take it down. But, if you want to compare apples-to-apples for preparation of the budget I think that's what the Assessor's were trying to give in their original numbers not that they were trying to say to the Mayor well I only need \$700,000 and then to the Board I need \$3.2 million...that's not what they've been trying to do. They're trying to give you their best estimate of what the numbers will be when the valuation is finally completed.

Alderman Lopez stated just the other point I'd like to make to is that I can remember that we were short something like \$50,000 in one year and we had to have to go back in the budget and have the department's find that money in their department in order to give us that money...we couldn't go into the "Rainy Day" fund. So, let's not kid ourselves when we move forward.

Vice-Chairman Gatsas stated with all due respect that was not because revenues didn't come in. It has nothing to do with revenues...what you can get to the "Rainy Day" fund on is that if you say that the calculation that the Assessor's are making is \$9.7 billion in assessed value that number only comes in at \$8.7 billion then the calculations that we're using for a tax rate doesn't give you the revenue that we've projected. So, you're going to be short revenues from tax dollars. Am I right, Kevin?

Mr. Clougherty stated if there's a shortage in revenue from the tax dollars because people are not paying their taxes or because the valuation isn't there it's based on whether there's a deficit at the end of the year...you have to look at both sides.

Alderman Shea stated what Kevin said is we can't use the "Rainy Day" fund but yet on the other hand we can use those funds in the event that the amount of money that we should raise for taxes isn't equal to the amount of money that we need. Isn't that a different way of looking at the situation. You're saying we can't use the money in order for the City to take care of the lack of money in the Overlay but yet if we don't have the amount of money that we need because of a problem that we have in terms of having to adjust certain taxable properties because of the fact that they were overcharged wouldn't that indicate that we need certain amounts to balance the amount of municipal expenses. This is where I'm a little bit confused.

Vice-Chairman Gatsas asked are you asking me that question, Alderman?

Alderman Shea replied I'm kind of pointing to Kevin.

Vice-Chairman Gatsas stated if the revenue dollars are \$2.00 and our budget was \$2.00 then we'd be even. If the revenue dollars are \$2.00 and all of a sudden we needed another \$.50 for additional salt that's an expense item...the revenues haven't changed, so you can't go into the "Rainy Day" fund.

Alderman Shea stated that's right but you can go into it for the other part.

Vice-Chairman Gatsas stated however if the revenues...if the expenses are still \$2.00 and the revenues are only \$1.50 we can then go into the "Rainy Day" fund. You can only go there if revenues aren't there.

Mr. Cornell stated this may help clarify it a little bit. If you look at our net valuation...the \$9.7 billion. If we could be a hundred percent accurate in all of our assessments, if we lived in a perfect world and we would have one abatement filed instead of \$9.7 the net valuation would probably be about \$9.5. So, the \$9.7

in a way is an over inflated net tax valuation of approximately two percent (2%) so essentially we're collecting 2% more than technically we should be from taxpayers who ultimately will be returning that to them.

Alderman Roy stated just to be real specific if the Chairman will allow me, David, and I'm just guiding you here...the way I heard that is the public gets overtaxed by 2% and what you're saying is you're building in an actual abatement on very specific...on an average of properties so the taxpayers are not overpaying by 2%.

Mr. Cornell stated let me clarify that then. There are individual taxpayers out there that will pay their taxes and then they'll receive an abatement because essentially they pay too much in taxes.

Alderman Roy stated if they earn and file an abatement because the data collection, inaccuracy of the number was faulted on 2%...the 98% of the tax base will be perfect...2% that is eligible for abatement and they win the abatement will then come back and be adjusted. I know the abatement process very well...the way I interpreted what you just said was you assess it 102% hoping to get 100% and I just thank you for clarifying that because I don't want the public having that perception.

Mr. Cornell stated the point was supposed to be that essentially the overpayment of those specific taxpayers will be paid back to those same exact taxpayers that's all.

Vice-Chairman Gatsas asked are there any other questions. There were none. So, you will get that information back to us.

Division of Traffic/Division of Parking

Vice-Chairman Gatsas stated I guess we're looking at...you've got your three pages I believe or four pages and one of them is your recommendation and I assume this is after the Committee on Administration came out with their reorganization plan...does the Mayor's include that same reorganization plan or is that a different reorganization that he had so that if we're comparing the Mayor's numbers against what your recommendation is?

Mr. James Hoben, Deputy Traffic Director, replied the Traffic one with the Mayor's recommendation point out the positions (\$414,385). We didn't have any breakdown on it.

Vice-Chairman Gatsas stated here's my question...his plan...did that take into consideration where the Administration Committee had come back with their recommendation, do you know if they both are apples-to-apples or as Alderman O'Neil asked are they oranges-to-apples?

Mr. Hoben replied they're oranges-to-apples.

Vice-Chairman Gatsas stated okay why don't we just then start...why don't we start with your recommendation and see if we can't work off of that because we're not that far away.

Mr. Hoben stated just to clarify the \$414,385 from the Mayor's...we couldn't...

Vice-Chairman Gatsas stated I just said if you want to work from the Mayor's budget I can go to that page...do you want to work on your recommended?

Mr. Hoben replied work on our recommended. The first item is the salary...adding back in my salary and benefits.

Vice-Chairman Gatsas asked how many employees is that on a salary.

Mr. Hoben replied that's eleven.

Vice-Chairman Gatsas asked how many do you currently have now?

Mr. Hoben replied fourteen.

Vice-Chairman Gatsas stated and the three that are eliminated is Mr. Lolicata.

Mr. Hoben stated that is not even listed there...the three that are moved out to the Parking Enterprise would be Denise here and two Meter Techs.

Vice-Chairman Gatsas stated so they've been moved.

Mr. Hoben stated they're still under Traffic. The money's been moved out in our recommendation.

Vice-Chairman Gatsas asked Ms. Lamberton do you know the head count that they have and who those 11 people are?

Ms. Virginia Lamberton, Human Resources Director, replied I don't have that with me, I can go get it if you'd like me to.

Vice-Chairman Gatsas stated I'm just looking to see how we're comparing and what we're comparing.

Ms. Lamberton asked how many positions were all together in the department?

Mr. Hoben replied fourteen.

Ms. Lamberton stated so one of the positions...a supervisory position was to be eliminated which would be a layoff and then there was Denise who is the Administrative Services Manager...she was moving under MEDO along with the two Parking Meter Technicians, so that's three, four and now we have seven positions including Jim's in Traffic.

Vice-Chairman Gatsas asked can somebody get Alderman Lopez because didn't he work with the Mayor to come up with some agreement on this thing from what I've been reading in the papers. Alderman Lopez did you work out something with the Mayor on this Traffic from what I've been reading in the papers or is that just...

Alderman Lopez asked what's your question, Alderman?

Vice-Chairman Gatsas replied my question is that we have two scenarios here... the Mayor's recommendation and what the Traffic recommendation is. I assume the Traffic recommendation is after some sort of agreement that you and the Mayor have come up with.

Alderman Lopez replied it wasn't an agreement with me and the Mayor it was the Committee on Administration but I presented a Parking Plan...taking three employees from Traffic and moving them over to the Enterprise system. So, they're budget should not reflect the three employees and it only should reflect what's in the Traffic Division minus the three employees.

Vice-Chairman Gatsas asked and where are those three employees being moved to?

Alderman Lopez replied the three employees will be moved to the Parking Manager's Division which Human Resources is in the process of reviewing the job classification and they'll be going out to bid at a grade 25 and Denise would be an administrative person to that and two Traffic people would be send to the Parking Division...where the Parking Division will be...whether it will remain at the Traffic Division or in MEDO or elsewhere we did not decide where it's going to go.

Vice-Chairman Gatsas asked is Denise in these numbers or is she not?

Ms. Denise Boutilier replied the payroll projection report that we got from Human Resources back in the middle of December...the \$505,074 that we're requesting in salary for Traffic includes 11 employees, it's the Deputy Director position which is now the Traffic Operations Manager, a Maintenance Supervisor...

Vice-Chairman Gatsas stated you've got 11 positions can you give me what those wages are in order from the top to the bottom.

Ms. Boutilier replied Traffic Operations Manager wage is \$76,190 not including benefits we didn't get to that line item yet. Traffic Maintenance Supervisor is \$52,769, Traffic Maintenance Worker I is \$34,348, another Traffic Maintenance Worker I is \$37,627, a Traffic Maintenance Worker II is \$40,268, a Traffic Maintenance Worker II is \$41,938, a Traffic Maintenance Worker II is \$40,268, Traffic Sign Painter is \$45,718, Traffic Signal Supervisor is \$52,055, Traffic Signal Technician is \$47,715 and a Traffic Signal Technician for \$36,178...that should total to \$505,074.

Vice-Chairman Gatsas stated every one of those positions is filled today.

Ms. Boutilier replied that is correct.

Vice-Chairman Gatsas stated the three positions that were eliminated was yours...

Ms. Boutilier replied Administrative Services Manager for \$50,793, Parking Meter Technician at \$27,856 and a Parking Meter Supervisor at \$44,514. Those were filled positions.

Vice-Chairman Gatsas stated those were filled and you also had.

Ms. Boutilier interjected a Traffic Director that is no longer there that is not in these numbers anywhere and a Parking Meter Technician that was unfilled, it's an authorized position but unfilled.

Vice-Chairman Gatsas asked how much was the Director's position?

Ms. Boutilier replied in FY07 would have been \$87,235.

Alderman Roy asked while the Chairman adds those up, Denise, could you forward that to us or get us a copy of that listing...we have the positions at what they would start at but having actual employees in them would like to see the actual numbers and do you have the benefits that go along with those employees.

Ms. Boutilier replied yes...do you want me to read those off.

Alderman Roy replied no...just get them to us in writing. Thank you.

Alderman Lopez stated I'm a little confused on the numbers here, Denise. The Traffic recommendation...you're total line \$1,091,747...that's the new number without the three positions, is that correct?

Ms. Boutilier replied that's correct.

Alderman Lopez stated and that's adding Jim Hoben's pay back in, is that correct?

Ms. Boutilier replied that's correct.

Vice-Chairman Gatsas stated so if I go back and take a look...if I take those two numbers...the \$505,074 and then those four positions that were eliminated which totals \$210,398 and add those two numbers together I come up with \$715,472. Now, if I look at your department's request before anything was done you were at \$816,000.

Ms. Boutilier replied that's correct. We didn't realize Mr. Lolicata was going to be retiring until...

Vice-Chairman Gatsas interjected you're not listening to what I'm saying...what I'm saying to you is the 11 positions that you told me was \$505,074...the four positions that have been eliminated which would have been a full complement of 15 people in your department with one vacancy...that total number is \$715,472. If Mr. Lolicata didn't retire and if Alderman Lopez with some agreement with the Mayor didn't put together a reorganization plan the total dollars would be \$715,472...you requested \$816,000 in your budget that I'm looking at in this book.

Mr. Hoben stated \$816,000.

Vice-Chairman Gatsas stated the request that you made was \$816,854...for all intents and purposes we can call it \$817,000. So, there's \$102,000 missing somewhere.

Ms. Boutilier stated on the payroll projection reports Human Resources added the Overtime number of \$87,277 as part of our Salary and Wages. We had requested \$75,000 in Overtime.

Vice-Chairman Gatsas stated you requested it and it's not in here, so what you're saying is...

Ms. Boutilier stated it's added in under the Salary and Wage account rather than the Overtime account.

Vice-Chairman Gatsas stated so if I take \$817,000 less \$75,000 that's still a \$52,000 difference...or \$42,000 difference. It's six of one, half-a-dozen of the other Randy it's still wages. Okay so what's you're saying is the \$45,000 is in their recommendation...I see what you're saying...I've got it now. So, where's the additional \$42,000?

Ms. Boutilier replied I believe the \$741,854 that's our request...is correct plus the \$75,000 in Overtime is \$816,854.

Vice-Chairman Gatsas stated you're saying your \$505,074.

Ms. Boutilier stated the original request of \$741,854 in the Salary account...our original request is the correct number with all the employees in the department. You're looking at the \$816,000...

Vice-Chairman Gatsas stated let me give you the numbers...you read me off 11 wages...that \$505,074. You then gave me four more wages which would no longer be in that department...\$87,235, \$57,093, \$27,856 and \$44,514...those total numbers add up to \$210,398...those two numbers \$505,074 and \$210,398 total \$715,472. I'm trying to get a comparison from where we are on reorganization just by the elimination of a Director to see if those numbers... unless you pick up synergies when you do something and you reorganize it if we just eliminated a position we can eliminate a position in another way to get to the same number and not effectively change very much.

Alderman Lopez stated can we go back to the book...the original budget that was presented to us...\$962,213 in the book that was presented to us and I believe that the Director was out of there...

Vice-Chairman Gatsas stated I'm just talking about wages...just do the Salary line.

Alderman Lopez stated you just want to do the Salary line.

Vice-Chairman Gatsas stated we can't go through anything else...we're only comparing Salary to Salary here.

Alderman Lopez asked the department's or the Mayor's.

Vice-Chairman Gatsas replied I'm looking first at the department's request...that included 16 people.

Alderman Lopez stated regular Salary is \$816,854...now, that's full complement, right Denise? Now, from that you're going to lose...you lost the Director and the salary is included in that, correct?

Vice-Chairman Gatsas replied that's correct.

Alderman Lopez stated you're losing three employees going to Parking Management...so, all of those number should be subtracted and Jim's number should be added in there.

Vice-Chairman Gatsas stated he's already in.

Alderman Lopez stated that's right...so four people should be out of there.

Ms. Boutilier stated when I take the \$505,074 that we've requested and take out Mr. Lolicata's salary, my salary, the two Meter Technicians that are going over...

Vice-Chairman Gatsas interjected \$210,398...I'll help you.

Ms. Boutilier stated but there's another position that's in the budget that we are not adding to anywhere.

Vice-Chairman Gatsas asked how much is that position?

Ms. Boutilier replied \$26,374.

Vice-Chairman Gatsas stated if we don't put him in anywhere, we take him out...

Ms. Boutilier stated but he was in our original request.

Vice-Chairman Gatsas stated the \$26,374.

Ms. Boutilier stated yes.

Vice-Chairman Gatsas stated so if we go back to where the Mayor's is, the Mayor removed...

Ms. Boutilier stated we don't know what the Mayor removed, we only got a number...\$414,385...we don't know the actual dollars...the breakdown of the dollars that was removed from our request of \$741,854. If I add our current request of \$505,074 to all of the salaries that are now no longer in that number I get \$741,854 and that was our original request.

Vice-Chairman Gatsas stated the benefits you got from Human Resources.

Ms. Boutilier stated the benefits from Human Resources are those numbers that you see on our breakdown.

Vice-Chairman Gatsas asked is that over 40%, Ginny, benefits? There benefit line is over 40%.

Ms. Lamberton replied if this is the December one they shouldn't have been using that one, they should have been using the numbers we sent out in March.

Ms. Boutilier stated we didn't get any though because we were still up in the air, this is the last payroll projection report we've received.

Ms. Lamberton stated what should have happened was remember the health insurance was going to be 18%...we're down to 7.5%...dental was going to be 7.5% and went down to zero, so it should have been adjusted.

Vice-Chairman Gatsas asked can you give me a benefit line number...I'm looking at a benefit line number...I don't know if you have a copy of their presentation, Ginny.

Ms. Lamberton stated I'm not sure what page we're on here.

Vice-Chairman Gatsas replied we're on page 2 or 3.

Ms. Lamberton stated I would have to ask the question of what are they including in benefits...if they're including the FICA...if they clumped it into one thing.

Vice-Chairman Gatsas stated my question was did you supply this number or did they put it in?

Ms. Lamberton replied no I did not supply them that number.

Vice-Chairman Gatsas asked where did you get that number from?

Ms. Boutilier replied we got it from the December Payroll Projection Report which totals the total benefit line on each salary.

Vice-Chairman Gatsas asked so how much was that?

Ms. Lamberton stated what they would have done is taken all the different lines and added them together.

Ms. Boutilier stated they're already all added up on our projection report.

Vice-Chairman Gatsas stated I understand...how much was that off by, Ginny?

Ms. Lamberton replied I can't tell you.

Vice-Chairman Gatsas stated I'm saying on a generalized basis per department.

Ms. Lamberton stated well remember the number we use is 33%.

Vice-Chairman Gatsas stated for now or back then.

Ms. Lamberton replied for now we're using 33%.

Vice-Chairman Gatsas stated so if I use 33% I can plug that number in?

Ms. Lamberton replied yes.

Vice-Chairman Gatsas stated I'm going to subtract right off the top from your request...\$52,000. So, if I take your number of \$1,091,747 minus \$52,000 we're going to start \$1,039,747 and then we can continue down. Go ahead.

Mr. Hoben stated the next one was the Overtime account...we originally had \$55,000...sliding over to Parking takes our snow removal away and that's why the drop in \$10,000 Overtime.

Vice-Chairman Gatsas stated I can't hear you.

Mr. Hoben stated in the Overtime account we took out \$10,000 because that should actually go over to the Parking Enterprise.

Vice-Chairman Gatsas stated in your original request you took out...that's \$30,000 less than what your original request was. The original request was \$75,000.

Mr. Hoben stated that was the former Director's request.

Vice-Chairman Gatsas stated I said the original request was \$75,000. So, you've reduced that by \$30,000.

Mr. Hoben stated yes.

Vice-Chairman Gatsas stated go ahead continue.

Mr. Hoben stated Hazardous Waste stays the same. We took Snow Removal out because that will be going to the Enterprise. Cleaning is just basic cleaning of the janitorial kind.

Vice-Chairman Gatsas stated I assume that's \$2,760.

Mr. Hoben replied yes. Maintenance Repair...that's repair of our traffic controllers...we send out equipment to be repaired after warranty. The Contract work is anything that comes up...if you need to call in a signal contractor for any knock downs or special items to be taken care of. Telephone stayed the same, Postage went down because most of the postage we use is for the parking permits and that's transferred over to Enterprise. Printing...\$500 we will be fine in this item. Duplicating is for the copy machine and General Supplies is office supplies. Custodial is basic janitorial supplies. We have a fire extinguisher service that comes in and does our wet system, dry systems...general purpose fire extinguishers. Electricity stayed the same, Construction Materials we increased it because we were under funded in '06.

Vice-Chairman Gatsas stated let's go back to your Electricity line...how could that stay the same...your actual expense in '05 was \$135,000.

Mr. Hoben replied that's the parking garages. We have the Center of NH electrical bill and some of the electricity will be moving over to the Victory Garage and going to the Enterprise. The \$70,000 is basically the traffic signals. It also included the parking lot lighting which will be going to the Enterprise.

Vice-Chairman Gatsas stated the signal lights...how close are you to because that just doesn't look...when you look at these numbers...I assume you had signal lights in 2005 and I assume you had them in 2006...you went from three garages in '05 to 2 garages in part of '06 and one garage in '07...I'm looking at those numbers and they just don't look like they're flowing...it's less than 50%, it's a little bit more than 50% of your cost for '05 when you had all of the garages and now electricity is at a much higher rate than what it was in '05.

Mr. Hoben stated a lot of the reduction is due to the LED's we installed.

Vice-Chairman Gatsas stated the reduction to do the what.

Mr. Hoben stated we have been installing energy saving LED's...traffic signals to reduce the power.

Vice-Chairman Gatsas asked how many of those have you installed?

Mr. Hoben replied over the last 7 years we've installed...I'm not sure a couple hundred thousand dollars worth.

Vice-Chairman Gatsas stated and the Construction numbers.

Mr. Hoben stated the Construction Materials we were unfunded and the signs, painting and materials and signal equipment. The stripping operation in this year's budget we did not purchase enough paint supplies we will run out.

Vice-Chairman Gatsas stated but your actual expenditures in '05 were \$110,000...that was your actual expenditure in '05. So, I guess I'm looking at why there's a 50% increase from '05. I want to pull out what the '04 numbers are.

Mr. Hoben stated in '05 we went to a new...Street Signs we increased our funding in that one...new standards of 6 inch blades to a 9 inch blades...there was some money that we had requested in the original request. Paint costs have gone up...everything else has gone up...electrical supplies.

Vice-Chairman Gatsas asked are there any other questions?

Alderman Long stated for the \$50,000 you're saying there is some paint you're under on in '06.

Mr. Hoben stated in this year's budget we didn't purchase...we had half an order. Normally, we purchase in the spring at the end of the year. This year we didn't have enough because the cost of the paint went way up.

Alderman Long stated so it's the increase in the value of material where you get the \$50,000 more.

Mr. Hoben stated correct.

Alderman Long stated that's paint and what else.

Mr. Hoben replied it's also electrical equipment, the price of steel and conduits and cable...everything is up.

Vice-Chairman Gatsas asked are there any other questions? What number do I have? What number do you have?

Alderman Lopez stated at this stage of the game I want to go by your number.

Vice-Chairman Gatsas stated we are...at this stage of the game...you're looking at another stage going by yours. I've deducted another \$25,000 out of your Construction line...actually \$30,000...no, took out \$25,000 and left you at \$130,000...that number comes down to \$1,014,747 which is about a difference of about \$52,531 from where the Mayor was.

Alderman Lopez stated we're going to get the run from Human Resources taking out the four positions from Traffic and see what the actual benefit cost savings would be.

Vice-Chairman Gatsas stated if it's more than that that's fine. We'll put you in on your "yellow sheet" presentation at the end of Wednesday...do you have space there. So, you come back in with your "yellow sheet" presentation on Wednesday. We also need to do the Enterprise fund or the Parking fund...where are those people going to be moved to? So, it's in the budget already.

Alderman Lopez stated there's a \$6 million budget in the Enterprise system and the Parking Division will come under MEDO.

Vice-Chairman Gatsas stated I'll bring you back, Mr. Hoben, to a conversation you were having with Traffic when there was a conversation and I haven't seen the response to this yet...there was a conversation about money that was missing from the Victory Parking Garage.

Mr. Hoben stated Mr. Arnold was supposed to respond to that, we had a conversation regarding it. We're proposing to remove the parking garage agreement and have the City employees run it. What happened was one Alderman came in and when the civic arena first opened there was a person there who was collecting earlier than normally should have been. Our Director followed up...I guess from my understanding he was collecting earlier than he should have been.

Vice-Chairman Gatsas asked where were those funds going?

Mr. Hoben replied that we don't know...the garage manager denied it, so it didn't go anywhere. The former garage manager denied that it was happening.

Vice-Chairman Gatsas asked then how did we know that it was happening?

Mr. Hoben replied it was from an Alderman who told us it was happening.

Vice-Chairman Gatsas asked what Alderman told you that?

Mr. Hoben replied it was Alderman Lopez. He had gone by one morning and said why are they collecting so early.

Vice-Chairman Gatsas stated I guess I'll ask you did you report it to the Solicitor at the time?

Alderman Lopez replied I reported it to Traffic...I think they were supposed to collect at a certain time...two hours before the event and they were collecting in the morning and I called Traffic and notified them of what the situation was and for them to check it out.

Vice-Chairman Gatsas stated I guess my question is this has been an issue about a parking contract in that garage for the last, at least, four years and for some reason we have this propensity in the City to say somebody can collect the money and add expenses to it. It's probably the only parking garage deal that I've seen like that in the state because there's never a situation that says you collect based on performance...we say collect the money we're just paying expenses and benefits. Can you show me another deal like that in the state?

Mr. Hoben replied probably not.

Vice-Chairman Gatsas stated so why do we continue doing that in this City. We just keep extending that contract, extending that contract, extending that contract...why do we do it?

Mr. Hoben stated a few years back we went out for an RFP.

Vice-Chairman Gatsas stated there was another company that bid but the RFP that we went out with was never to say here we're going to pay you "X" amount of dollars if you accept that as an RFP that's what we're going to pay you. If you fall below that it's your probably...not saying that we can't hire anybody at \$11.00 so we've got to pay them \$12.00. The City takes on the burden and the risk with no reward.

Alderman Lopez stated you and I can't agree 100% on this and I think that's why the Parking Enterprise system will be able to take this garage and put it under parking and we'd have control over it. So, I totally agree with what you're saying.

Vice-Chairman Gatsas asked when does the contract end on that garage?

Mr. Hoben replied June 31st.

Vice-Chairman Gatsas stated of this year.

Mr. Hoben replied yes.

Vice-Chairman Gatsas asked so are we prepared to take the garage over?

Alderman Lopez replied as far as I'm concerned...

Vice-Chairman Gatsas interjected that's not your answer, Alderman.

Alderman Lopez stated thank you.

Alderman Forest stated I believe that's in the Mayor's proposal for a Parking Enterprise or a Parking Manager to take over the garage in that and I think it's under the Mayor's proposal.

Vice-Chairman Gatsas stated if we don't hire a Parking Manager by June 31st what do we do.

Alderman Forest stated haven't got to that point yet.

Vice-Chairman Gatsas stated most businesses would plan ahead to say what would happen.

Alderman Lopez stated I think that's a very good question and I think that we'd have to get the Director of MEDO and the Finance people and Denise who's moving over there to come up with a plan before that contract is extended...we've extended it so many times.

Vice-Chairman Gatsas stated I think that has to be part of this whole budget process. We're going to have to take some of those people and put them in as a City employee...you're going to have to wrap them in here.

Alderman Lopez stated that's okay there's \$6 million in that account and the reason for that is so that the other ID's could be part of that Parking Enterprise fund. Even though it's \$6 million there's still what's coming back to the City in '07 is over \$3.5 million, so they still have money to manage.

Vice-Chairman Gatsas asked is that including the compensation for the Verizon Center?

Alderman Lopez replied the compensation for the Verizon Center is a separate issue.

Vice-Chairman Gatsas stated it's got to be in there...it can't be a separate issue.

Alderman Lopez asked is it in the Enterprise...the \$400,000 we lost in there in the parking, okay, fine it's in there then.

Vice-Chairman Gatsas stated those revenues are going to come through MEDO is that when we're going to talk about this?

Alderman Lopez stated those revenues will come to the Parking Division through MEDO to the Finance Department yes.

Vice-Chairman Gatsas stated so I would assume that in the next week or so we're going to have that conversation too.

Alderman Lopez stated we have a budget on that.

Vice-Chairman Gatsas asked including the revenues?

Alderman Lopez replied even the revenues yes.

Alderman Forest stated I believe that in that parking garage thing was also sent to Paul Borek to come up with an answer on that because we knew we had a short period of time in Administration so that was brought to his attention.

Vice-Chairman Gatsas asked are there any other questions? All set...your "yellow sheet" on Wednesday and maybe you can cut a little bit more. Thank you.

Finance Department (notes and loans outstanding)

Mr. Clougherty stated it is my understanding that the Committee wanted to talk about notes and loans outstanding. I remind you that we had given you a pretty comprehensive report awhile ago...what we're going to hand out tonight is an updated summary sheet that brings forward what the situation is with all these loans as of March 31st.

Vice-Chairman Gatsas asked have you gone through these, Kevin, and basically told us which ones are callable so that we can show them as a revenue?

Mr. Clougherty replied I think if you go through and look at them they're all managed by different departments and they're all based on loans that have been given from different funds, they're not all General Fund. In fact, most of it is not General Fund. If you look at the first page, for example, up in the left-hand side it says year and then it says property and then it says MNHS...that Manchester Neighborhood Housing Services and those are all loans that have been made to that organization and if you go through the next several pages you can see that all of those are loans that are all through the Neighborhood Housing Services and they involve HOME funds and they're not callable back to the General Fund. If you go back through to page 7 you see that we get out of the HOME funds and we get into CDBG Program so again all of those have all been made with Community Development Block Grant funds...would come back in and these are all federal dollars so they have federal ramifications and they have to be replenished back to that specific funding source...page 8 continues with the CDBG Program.

Vice-Chairman Gatsas asked where do you see your page numbers?

Mr. Clougherty replied right in the middle of the bottom.

Vice-Chairman Gatsas stated let's go back to page 7...I'm looking at some of these and I'm looking at...give me an explanation of Weston Terrace because if memory serves me right weren't they in here once to look for a refinance.

Mr. Clougherty replied I don't recall that they've been in for refinancing.

Vice-Chairman Gatsas stated Mr. Clougherty in 2001...trust me they were in here for a refinancing.

Mr. Clougherty stated okay.

Vice-Chairman Gatsas stated and I think at that point the documents and I'm going by memory...the documents said that we are partners in that building.

Mr. Randy Sherman, Deputy Finance Officer, stated that's true.

Vice-Chairman Gatsas stated and we were supposed to be cashed out of that building sometimes around 2000 or 2001...those are the kind of deals that I'm saying what's on the table that we can generate a revenue.

Mr. Sherman stated if you look at that one there's actually two notes on that page 7 that you're on...there actually two lines...there's a Part I which is \$1.250 million...that note has been extended several times through the Board, they came back, they had cash flow problems...there was a point where they weren't actually paying their property taxes, they just didn't have the cash flow that they thought they were going to have back in the 80's when they did that project. The \$1.250 million is now being amortized for a number of years now...they're paying it consistently and they're meeting that debt and that one goes through, I believe, July of 2013...that is now the new term agreed to on that note. The second note, the \$250,000 is what I believe you're speaking of which is more...to kind of phrase it more of an equity contribution from the City to that project. That note is actually due this month and what it requires is that they pay to the City 50% of the fair market value of the property...that was the equity that the City put in to get that back and it was 20 years from when the project started which is back to 1986.

Vice-Chairman Gatsas stated let me ask a question...can we extend that to July 1st?

Mr. Sherman replied for what you're trying to do with it it really doesn't matter because those are HOME funds they're going to have to go back into low-income housing trust that we have set aside. Those dollars don't come back to the General Fund. They were originally federal dollars, so they're going to have to go back and be used for lower income housing.

Mr. Clougherty stated I'm sorry when you first mentioned Weston Terrace I was thinking of something else...Lowell Terrace as I refer to it. A lot of these projects were put in place with HOME funds so that you could get low/moderate income affordable housing downtown. IF you were to refinance them and take them out they would then be able to change that property, it would not longer be under the covenant so that property would be much more valuable as condos or something else. The question that the Board always has is do you want to free up that or do you want to keep the policy so that you have affordable housing downtown. And, that's part of the discussions that we have every time we've talked about this project and the Wall Street Towers, for example.

Vice-Chairman Gatsas stated I'm not questioning your staff project but I'm talking about Wall Street Towers...some of these that are 1985.

Mr. Sherman stated Wall Street Towers...there are a number of components under the Wall Street Towers...that project the City owned that parking lot, it was not unlike the Bedford Street Lot as it is today. We turned that land over to them to build the Wall Street Towers...that was the City's contribution. Most of the money though that went into was UDAG money, federal money. The UDAG loans were actually run through GMDC and now it's MDC. They hold the 3rd and 4th position on that facility, on that building and it's only paid from cash flow and MDC has not received any payments on that in 20 years. The City has received payments on the value of the land but MDC and GMDC before that never received any payments. So, there's nothing there to call. Again, you're holding...you're in 3rd and 4th position...the 3rd position I believe is the secured portion and the 4th position is the unsecured portion.

Vice-Chairman Gatsas stated I guess my question is what are those positions in front of us?

Mr. Sherman replied in front of you you have the 1st mortgage holder which I can't remember what the name of bank is...I think it's PNC Bank out of Pennsylvania and the 2nd position is actually the limited partners but that was a position when that was refinanced in the early 90's the City agreed that they would be 3rd and 4th in line and the limited partners have not received any payments from that project either. It is PNC yeah.

Vice-Chairman Gatsas asked which one is the garage that we lease.

Mr. Sherman replied that's Wall Street.

Vice-Chairman Gatsas stated so we're not receiving payment, we're paying \$144/space.

Mr. Sherman stated we have talked to them about making an arrangement to get out of that lease...now keep in mind we only have about 22 months left...their position was...actually it was their proposal...if we gave up the unsecured loan which is \$3.2 million they'd let us out of the lease for the next 22 months.

Vice-Chairman Gatsas stated and that payment for the next 22 months...400 spaces times \$144 x 12 is about \$691,000/year.

Mr. Sherman stated no it's about \$480,00/year but you're taking the 22 months...yeah you're taking 22 months worth...to give up \$3.2 million which has \$5.3 million of accrued interest.

Vice-Chairman Gatsas stated I look at that number...if you tell me that the value of the property is...using a round number...let's say it's \$10 million and there's \$40 million in debt well how are we going to get our money.

Mr. Clougherty stated as the building is being used and under the covenants right now.

Mr. Sherman stated they're making their payments on their first mortgage, the value of the building which was a bank appraisal by PNC valued it at about \$11.9...they have about \$39/40 million worth of debt on that building.

Vice-Chairman Gatsas stated so there's \$40 million worth of debt...we have the ability to recover somewhere around \$1.2 million in reduced expenses for a \$3.2 million loan plus \$5 million in accrued interest. Now probably your \$40 million isn't giving me the accrued interest in there also is it.

Mr. Sherman replied yes it is.

Vice-Chairman Gatsas stated I'm looking and saying...

Mr. Sherman stated you're giving up about \$8.5 million.

Vice-Chairman Gatsas stated for \$1.2.

Mr. Sherman stated the \$1.2 is high...we pay \$360,000/year, \$30,000/month...so you've got to take the \$30,000 times the 22 and then you're right you add the taxes on and you add the expenses onto that.

Vice-Chairman Gatsas stated so we're at about

Mr. Sherman stated if you take that same building and turn it into condominiums it's worth about \$32 million. The \$11.9 is rental property.

Vice-Chairman Gatsas stated hold on...if the indebtedness is roughly \$40 million and if you condo'd it and the best you're going to get is \$32 we're still short \$8 million.

Mr. Sherman stated but the last \$15 million of the \$47 are the limited partners. The limited partners are in line twice...they're in 2nd place and they're in 5th and \$15 million of that \$47 is the limited partners. So, really rather than starting at \$47 you really want to start at about \$32 as far as the outstanding debt because that's what is in front of you and that's what includes the City. From that \$32 they've got \$7.7 million escrowed.

Mr. Clougherty stated you don't want to give up and in the case of your numbers I think he included the revenue in some of these.

Mr. Sherman stated that's the other issue. You do rent out 280 of those spaces.

Mr. Clougherty stated so when you're doing your calculation it's not all expenses you're getting some revenue. So, when you get down to the net number it's a couple of hundred thousand...you're asking to give up a couple of hundred thousand dollars a year in exchange for the giving \$7 million in debt that once you do that is going to give them the ability to sell that building as condos because now they don't have the covenants that they have to follow and everybody's going to make out but us. So, I think we can certainly explore that and talk to them about some things and there may be some things that the City would be willing to do to make sure that we don't lose our option in the event that they were to convert to the condos...we want to preserve our rights and even if that happens the dollars again do not come back as I understand it to the General Fund.

Mr. Sherman reiterated no they'd be federal dollars.

Alderman Roy stated Kevin you just brought up the interesting point that if we were out of the picture they would go ahead or have the option to go ahead and sell off the units as condominiums and that seems to be a fairly popular real estate move these days. What could we do as a City to change that so that they'd have the initiative now to sell off as condos and we'd be able to recoup the \$7 million?

Mr. Clougherty stated I don't think I'd like to talk about that in open session. The thing we have to get clear with the Board over the next several months is what is the commitment to affordable housing and how do you...if you were to take right now I think it's 40% of Wall Street Towers under the terms of the Urban Development Action Grant has to be reserved for low/moderate income. I think the...

Alderman Roy asked how many units are in that building?

Mr. Sherman replied 152 I believe.

Mr. Clougherty stated so if you were going to do something to relieve them of that standard that's a consideration as I understand from the Planning Department given what they're trying to do with affordable housing...the same thing with Lowell Terrace...if you were to accept some type of an arrangement all of a sudden those requirements that the units be leased out for low/moderate income people I believe go away and is that something that the Board wants to have happen...to have those buildings that you invested in for low/moderate income housing downtown to get a certain mix of people in the downtown relieved so that they could possibly and I'm not going to try and speculate on what the owners are doing or want to do and then turn around on those and do something different and what does that do to the density types of things that the Planning Departments' trying to accomplish. That is why a lot of these projects are run through the Planning Department so that there is that parking balance or that housing balance.

Alderman Roy stated based on the numbers you just gave me you're talking about 60.8 units of affordable housing at a \$7 million cost and we could put up some fairly nice units at that cost.

Mr. Clougherty interjected remember there is nothing that the City paid into this. When this building went up we owned the parking lot underneath.

Alderman Roy stated I'm talking today's dollars. So, what can we do...right now, your argument is we're getting 60.8 units of affordable housing. If my tradeoff is losing 60 units and gaining \$7 million we can build or generate those dollars into some other economic development project and let some private developer build with our assistance more than 60 units much like Piscataquog River or a number of the Anagnost properties.

Mr. Clougherty stated certainly if Wall Street Towers want to come to the City and make a recommendation that it will satisfy it's debts to the City that's not going to happen but I don't think anybody on this Board would say no but that's

not what we're hearing. What we're hearing is that they'd like to have MDC forgive the debt and they might do something on the rates. Again, I remind you that you have City employees parking in Wall Street Towers, so then if you're going to continue that arrangement not only would they want you to pay for those maybe give you some type of a discount but that's also in this mix as well.

Vice-Chairman Gatsas asked how many employees are parking there?

Mr. Sherman replied from what I understand again we have 400 spaces...we lease 280 and the City employees take up the majority of the 120 that are left.

Vice-Chairman Gatsas asked could we possibly lease the other 120?

Mr. Clougherty stated we have other options you can talk about...you can move people to other lots, you can do different things...but again that's the reason why you want to have the Parking Enterprise come in and take a look at all of these things...somebody that is familiar with parking and make some recommendations to you as to what's the best way to maximize your revenue and rates.

Alderman Long stated Kevin you're telling me that there are subsidized housing right now or low/moderate housing right now at that. So, every time they extend their loan that stays in the mix.

Mr. Clougherty stated my understanding is that the Urban Development Action Grant requirement...for them to get that money which was the bulk of the money to do the project because again all we did was donate the land...was that if they were to buy by the guidelines governing low/moderate income so as that scale changes each year they have to have so many units meeting that requirement.

Alderman Long stated I was under the understanding that they had to do that for 20 years, which is in '85 when they started. I thought they were phasing out their low/moderate income and that's not the case you're saying.

Mr. Sherman stated I think it's our understanding that where the City allowed them to extend the term of the loan when they refinanced it would get extended. We saw the same thing happen at Weston Terrace.

Alderman Long stated this money he's owed is actually HUD and MDC...the benefactors of this money.

Mr. Sherman replied it's MDC it was UDAG money, correct. And, it was run through the MDC organization at the time, which was GMDC, but yes those dollars in essence the City gave those dollars to GMDC...they're the ones that loaned the dollars.

Vice-Chairman Gatsas stated I guess cut to the chase...this package that you gave us there's no cash.

Mr. Clougherty stated it really doesn't help you. As we said we can go back...

Vice-Chairman Gatsas stated no...here's my question...there's no City cash involved in any of these deals.

Mr. Clougherty replied not to my knowledge.

Mr. Sherman stated the only City cash would be (and let me find the page)...page 14.

Vice-Chairman Gatsas stated that's the only City cash.

Mr. Sherman stated again when we did Livingston Park there were City bonds involved so those dollars are being run through the General Fund but these revenues also go back into the General Fund.

Vice-Chairman Gatsas stated the Derryfield Country Club...so all of these on this whole page are all cash.

Mr. Sherman stated they were all bonded projects and obviously with the exception of the Corcoran one we won't see anything for a while and Kevin corrected me...the Derryfield goes under the Enterprise.

Vice-Chairman Gatsas stated if you look to 6 to 4 to 3, LLC and offered them a discount that's cash coming back in.

Mr. Sherman stated the cash coming back in but I think we would probably be committed to setting that aside to pay that debt service...that's paying back that \$2.5 million loan. The debt service is in the General Fund debt service every year but unless we had the ability to call those notes which we wouldn't at least until 10 years out so it would be 20, 24, and 14.

Vice-Chairman Gatsas stated I'm not saying call them I'm saying if you went out and said to somebody here's a discount pay up front.

Mr. Sherman stated right but we still owe that money back to the bondholders.

Vice-Chairman Gatsas asked what's the rate on that?

Mr. Sherman replied on the note we're actually charging them the rate that was on the bond and offhand I don't know what that was. I'd want to say it's somewhere between 4 and 4.5.

Vice-Chairman Gatsas asked are there any other questions. There were none.

Mr. Clougherty asked is this format that we provided...the summary sheet coming around...is this closer to what you were looking for, is that going to...because we're still looking for recommendations and if you'd like to see something different or added.

Vice-Chairman Gatsas replied I think you need to add one more line.

Mr. Clougherty stated the total.

Vice-Chairman Gatsas stated not only the total but the delinquency.

Mr. Clougherty stated okay we can do that.

Vice-Chairman Gatsas stated then we'd know where we're at.

Discussion relating to "Purchasing Cards"

Mr. Sherman stated while Leo is handing out the little one-pager on purchasing cards let me just real quickly try to explain what this does. Right now, the City has credit cards; we do have City credit cards that run through Citizens Bank. The employees get a limit on their credit card and again it's in lieu of cash advances... some people do use it to go down to Staples and other things like that. What the purchasing card does is it replaces the credit card and it gives the City a rebate. If you think about the Discover Card if you use your card you get a cash rebate for using your card. The way the credit card companies make their money is they advance the cash and they skim a couple of percentage points off the top. So, if you go out and you use your card and buy a \$100.00 worth of merchandise the vendor only gets about \$98.00 and the credit card company take the \$2.00. In order to get corporations and municipalities and others to use their credit cards more frequently what they started to do is offer a rebate to the user of the card. So, right now, when we use our credit cards we pay 100%. What this program

does is we use the purchasing cards in lieu of the credit card and we in essence get a rebate and what's been offered us in a rebate is a little more than one percent (1%) off of our purchases. Now, we had the purchasing card provider actually take our list of payments from calendar year '05. We paid out on the City side and this is exclusive of payroll, exclusive of benefits...does not include the School Department...\$185 million with what we paid out during calendar '05. Of that, \$40 million could have been put on purchasing cards which means by not using purchasing cards we left on the table \$478,000 that we could have received in rebates that we didn't received.

Vice-Chairman Gatsas interjected, Randy, let me ask you a question. How quickly can this be put in place?

Mr. Sherman replied we have actually done our RFP, we have a contract that has been signed off by the Solicitor's Office, there's a couple of minor things that we've got to talk to them about and they're telling us 4 to 6 weeks for implementation. So, the goal would be by the first of July we would have this up and running.

Vice-Chairman Gatsas stated so if we move forward with this at the next Board meeting we could generate a \$400,000 revenue for the City.

Mr. Sherman stated I actually thing it's going to be higher than that because in essence there's \$145 million of payments that we made to companies that don't take the card and if you think about it it's really to the provider's benefit to come in and get those vendors to take the card. They'd love to see us charge \$185 million versus \$40 million. So, they will actually send somebody to the City, they will got through our vendor list and they will approach each one of our vendors and try to get them to take the card.

Vice-Chairman Gatsas asked have we tried to approach the health insurance vendor?

Mr. Clougherty stated it's not included.

Mr. Sherman stated we haven't and they are not included you're correct because I did back out the benefits.

Mr. Clougherty interjected but they could be.

Mr. Sherman stated possibly they could be and that's one of the things...initially we thought that we could do this all within the Finance Department and I'll be honest with you after looking at the program there's no way we have the staff to go out and approach these vendors. We had over 13,000 vendors last year and about 5,600 actually take the credit cards so that leaves 8,000 vendors on the table that all need to be approached to come up with this extra \$140 million.

Vice-Chairman Gatsas stated so I guess if you were to put a deal together with someone and said to him for the additional 8,000 vendors...whatever that 1% is... if we gave it to him as you would for a debt collector service that says we'll give you a third (1/3) will you get us on in the first year.

Mr. Sherman stated they don't have to do that because they're actually going to take 50%...they're going to charge them 2% and give us 1% back. So, it is in their best interest to help us get more vendors on the program.

Mr. Clougherty stated it's all by volume.

Vice-Chairman Gatsas asked why wouldn't we reduce that 1% to 1/2%?

Mr. Sherman stated again you've gone through an RFP process and we have selected the one...this vendor that we have actually goes up to 1.2% and if you think about what they're charging the vendors which is roughly about 2% they're pocketing about .8% and they have all of the bad debts.

Vice-Chairman Gatsas asked how long is that contract for?

Mr. Sherman replied actually the contract that we have doesn't have an end it just has a 30-day out clause. Again, we haven't finalized the contract. What we had originally told them in the RFP is that we would be looking for a 2 to 3-year deal.

Mr. Clougherty stated it gets us up and running.

Vice-Chairman Gatsas stated let me make a suggestion because there should be some sort of declining balance with the more dollars that come in.

Mr. Sherman stated actually the rebates goes up with the...we get a larger rebate based on the more spending, absolutely.

Vice-Chairman Gatsas asked how much does that increase?

Mr. Sherman replied it actually starts at .76 and we ran it all the way up to \$50 million at 1.22. But, we didn't have these types of numbers at the time we did the RFP so that's something that we have to go back and say okay what happens if we go over \$50 million.

Vice-Chairman Gatsas asked how many people bid on it?

Mr. Sherman replied eight.

Mr. Clougherty stated eight of the largest banks.

Vice-Chairman Gatsas asked is that the best deal we could get?

Mr. Sherman replied well again keep in mind they're only charging the vendors 2% so that's all they have to work with is that 2% and they're giving us over 50% of it back.

Vice-Chairman Gatsas stated it's a lousy deal on a sitting duck.

Mr. Sherman stated actually I can tell you that the one that we've selected is 50% higher than the lowest one that bid.

Alderman Roy stated I like the idea that the chart comes from their source so naturally it's going to be more attractive than our normal purchasing. My big concern is of the 13,000 vendors...you said we currently have 5,600 doing this. The sales rep for this company is going to be approaching the difference and saying we'll charge you 2%, you'll get your money quicker...we're giving back the City a percent...they'll most likely will use you more often. What's to keep that vendor from just adding the 2% to our cost of goods?

Mr. Sherman replied it's not different than you have right now. You're still going to go out to bid.

Alderman Roy stated but some of our vendors and I'm looking at Kevin Sheppard over your shoulder...there's just so many asphalt plants, there's only so many places to get tires and batteries and gas and mechanical equipment. With a city this size and what we're purchasing I agree we need a better system but my fear is that we're instantly going to take that 2% and the \$600,000 we're going to get back on \$50 million turns into \$600,000 more that we spend.

Mr. Sherman stated right now though when you go out and do a purchase if they order salt on the 26th of the month that vendor doesn't get paid till not the next month's 15th...the 15th of the money after that.

Alderman Roy stated the argument that you're about to make is great for us because that money is sitting in our account and not the vendor's account.

Mr. Sherman stated we still don't get charged until that month. So, if they go out on the 26th of March and order something currently we don't pay that vendor until May 15th. So, the whole month of April they don't get their cash. Under this system you still wouldn't pay them until May...cash doesn't leave the City until May but the vendor gets their dollars within 24/48 hours. So, that's the incentive for the vendor to take the card because they're still going to accumulate our charges just like they do on a regular credit card and at the end of the month we'll get a monthly statement...it's going to say hey you went out and charged \$3.5 million on your purchasing cards 14 days after the end of the month is when they come and we pay them. So, we still have the float of the cash plus we get the rebate back.

Mr. Clougherty stated what's important too is the world is changing. It used to be that everybody just took cash and then it took a while for checks to catch on but once checks caught on they caught on with a vengeance. We're kind of at that same time moving from checks to plastic and it's not just the city...the federal government is using purchasing cards, all of your major universities are using them...this is something whether the City likes or not is going to go along and it's for two reasons. One, it's more efficient for the vendors. We look at this glow chart...you're going from what we have now a purchase order, a system that takes 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12 steps and you're cutting it down to 1, 2, 3, 4, 5, 6, 7 and there's less manual intervention, there's less fraud, there's better reporting, you have the cash flow...this is what's going to be happening on a lot of things. The City is accepting credit cards now.

Alderman Roy stated Kevin I'm not disagreeing with the system and it's the way the world is going but I as a consumer know when I go use my credit card at a restaurant for dinner that I'm probably going to pay the fee for that restaurant, the fee for the interest, what the vendor had to back into it at the end of the month when I pay my statement and for me charging a minimal amount per month not a big deal. For a \$50 million city and our expenses it ends up being a fairly substantial number if we end up going up 25% or .25% in our costs just to absorb us using the purchase cards.

Vice-Chairman Gatsas stated that's not necessarily because those costs have to be built in on anybody that's got 30-60 days for payment.

Mr. Clougherty stated remember the gas pump where you went up and paid cash...you're still getting paid the same flat rate and people are already accepting VISA cards, they're already doing that anyway and we're not getting the benefit from it.

Vice-Chairman Gatsas stated you may get a vendor to say you give us your card we'll give you a 1.5% reduction so you're really going to save 1.5 and pick up one.

Mr. Clougherty stated I think what we're focusing on for this is in the Mayor's budget I think there's \$200,000 under Central Purchasing and that's the revenue that we expect we would get conservatively estimated using the purchase cards. The real secret here is to get somebody that understands the technology out there and have them really pounding the pavement with the vendors from morning till night and making sure that they're renegotiating and getting as many as these people into the system as possible...that's going to be the key and then after a couple of years when you're down the road and you have better financial information on the flow of things you can start negotiating contracts a little bit differently...that's how it works.

Alderman Long asked do we know how many cards we're going to have out there?

Mr. Sherman replied we don't because what we would need to do is sit down with each department and say how many do they want to use. I would tell you that there are probably going to be more cards than we have credit cards right now because again the way these cards work is they've got the smart chips in them. So, if I give one of these cards to somebody down at the Highway garage when they go over to Robbins Auto Parts and they swipe their card the electronic file that actually gets sent back to the City is going to tell them not only where they spent it and what they spent it for and what account it should be charged to. So, you're going to have those...now, you always have the ability to go in and override those things but my guess is that more people will be using them as we start to get away from the old purchase order system you're going to want the people to have the cards.

Alderman Roy stated you'll have real time access to those accounts.

Mr. Sherman stated we get the information the day they get swiped...it comes back through.

Alderman Pinard asked how is that going to work with the purchasing department we're going to end up doing?

Vice-Chairman Gatsas replied it's going to fund most of it.

Vice-Chairman Gatsas stated if I used the \$400,000 number there's only \$200,000 that's needed to take care of that Purchasing Department.

Mr. Sherman stated the only caution I would give you is of the \$185 million that was spent I did not go back...some of it's going to go back to Airport, some of it's going to go to EPD and Water...some of those dollars...the only amount we picked up in the General Fund is a portion that we think would be coming back to the General Fund.

Vice-Chairman Gatsas stated which is \$40 million at 1%.

Mr. Sherman stated no...\$40 million was what was eligible out of the entire \$185,000.

Vice-Chairman Gatsas stated we can always charge back a fee.

Mr. Clougherty stated that we think that the next year you might actually get the \$200,000 but the first year building the program we're trying to be reasonable on this and we think that that's for programs that are starting up a reasonable expectation.

Alderman Long asked do you think that will be quick curve of getting anybody on board with it?

Mr. Sherman replied I do, Alderman. Again, out of all of the vendors...we went through all of their software and everything and it's real simple to use. The payments come in, you just go in and put your account numbers in and again as you set up each individual card they have specific accounts that go with that card. So, drop down menus, click it and boom things move along. So, yeah I do think so.

Mr. Clougherty stated it's going to take some time on the department side. The department head is going to have to think about who he wants to give the cards to, what limit you want to put on it and that's helpful I think to have them think through that purchasing process and put those controls on is something that is good for the City.

Vice-Chairman Gatsas asked are there any other questions. There were none.

5. Items referred to the Committee on Finance by the Board of Mayor and Aldermen and Committees:

- a) communications from the Retirement System;
- b) Solid Waste Compliance Officer; and
- c) statistics and related information regarding vehicle claims, expenses and mileage reimbursement (referred by the Committee on CIP on 04/27/2006).

The Committee did not address Item 5.

Deputy City Solicitor Arnold stated for the Aldermen that are here if I could have a couple of minutes of your time after the meeting I'd appreciate it.

Vice-Chairman Gatsas stated we're going to go when we have a full Board to have your discussion.

There being no further business to come before the Committee, on motion of Alderman Roy, duly seconded by Alderman Long, it was voted to adjourn.

A True Record. Attest.

Clerk of Committee